

**THE**

# ***CREDIT WORLD***

OF THE NATIONAL RETAIL CREDIT ASSOCIATION

ONLY PUBLICATION SERVING THE ENTIRE FIELD OF RETAIL CREDIT



JULY  
1955



## Put These Five Experts to Work!

You have five experts working for you all at once, when you send slow accounts to a member of our Collection Service Division. These "experts" are the benefits you get from Collectrite Service.

1. You have a better chance to collect your money. Bringing a collector in as a third party shows the debtor that you've turned to professional help. You mean business (and so does the collector).

2. They take care of the details—not you. All you do is age your accounts and send the doubtful ones to them each month. They do the rest.

3. There's no wasted effort on your part. No long follow-ups, no worry with training collection personnel.

4. You get the benefit of tested methods. This ensures better relations with debtors and higher collection percentages.

5. You get service on out-of-town accounts. When one of your customers suddenly leaves, the CSD office can forward his account to the affiliated office in his new residence. The CSD affiliate will collect for you.

Send in your past-due accounts to our CSD member in your community and start to get these five benefits right away!



*Reports anywhere through affiliated members of*

# ASSOCIATED CREDIT BUREAUS OF AMERICA INC.

7000 Chippewa Street

St. Louis 19, Missouri

**YOUR CREDIT RECORD**

is the measuring stick by which all credit grantors judge you.

Do you realize that your failure to pay this account may affect your credit standing?

**PROTECT YOUR CREDIT BY PAYING PROMPTLY**

**Just to Remind You--**

that this account has probably been overlooked and we'll appreciate your remittance.

Thank You!

**Now--Please!**

We know how easy it is to be over-extended while you have it in your mind.

**Prompt Payments Build Good Credit--"Worth More Than Gold"**

**Please!**

Just to remind you, we'll appreciate your remittance.

Thank You!

**Keep Your Credit As "Good As Gold"**

Prompt payment of accounts, however, is the sure way to build a good credit record.

**"Worth More Than Gold"**

**Prompt Payment**

of your account is solicited in the same courteous manner as your patronage. Both are appreciated.

**Good Credit**

The quality of your credit is the yardstick by which all credit grantors judge you.

The credit you maintain today is the thing that will determine your future success in business.

Pay all charges promptly and your credit will be good.

**"Good Credit--"**

is worth more than all the gold in the world.

**Prompt Payment Builds Good Credit--"Worth More Than Gold"**

**MAIL it to day**

The 10th of the Month

Pay Day!

**Keep Your Credit Record Good**

Whatever your needs may be, a convenient means of making your payments is by using a charge account.

A good credit rating, obtained by meeting obligations promptly, enables you to this privilege.

Pay each account in full on receipt of bill and maintain your credit as good.

**Protect Your Credit**

Your failure to remit account now has and will make future payments according to the terms of your contract will cost your credit record.

**Make it a habit to pay promptly**

**YOUR CREDIT RECORD IS AN OPEN BOOK**

By the way you pay, you write your own record in the file of the Credit Bureau.

Millions of such records in the files of the Credit Bureaus of the United States and Canada, form the basis of credit approval by creditors and employers to judge the trustworthiness of individuals.

**Prompt Payments Make a Good Credit Record**

**You Forget--Didn't You?**

Why are you not as prompt as you should be in paying your bills?

Thank!

**Of Course--We Missed You!**

And your account is waiting for you. Come in and see us!

**We Value Your Patronage!**

**You Don't Owe Us a Cent!**

Yes! We've noticed it and we hope you will see your charge account this month.

**Your Patronage Is Appreciated!**

**Promptness**

You are urged to make prompt and regular payments, in accordance with your agreement.

**Paying promptly builds a good credit record.**

**Good Your Credit As a Good Investment**

Credit is both a convenience and a responsibility. To pay according to the terms of your contract is to keep your credit good.

**Terms on Monthly Charge Accounts**

ACCOUNTS are due and payable upon receipt of bill. They are paid due if not paid within 30 days after bill is rendered.

**Pay Promptly**

**Pay Professional Bills Promptly**

THE MANNER in which you pay your professional bills has an important bearing on your credit standing with members of the community.

**PAY YOUR PHYSICIAN, dentist and hospital bills promptly and maintain a good credit record.**

**Lost Your Check!**

Why not send us a check now while you have it in your hand?

Thank!

**The 10th of the Month**

is the Merchant's and Professional Man's Pay Day!

**Paying bills promptly maintains a good credit record.**

**MAIL it to day**

Don't let your credit account go unpaid. Pay your credit account this month.

**Prompt Payment Builds Good Credit**

**PAY YOUR ACCOUNT PROMPTLY!**

Every charge account that is paid in full each month and each installment account paid as agreed helps to build and maintain a "Prompt Pay" credit record.

**Just a Blank Statement**

To remind you that we miss your patronage and to extend this invitation: Use Your Charge Account!

**Your Charge Account is Balanced**

Yes! We've noticed it and hope you will see it this month.

**Use Your Charge Account!**

**Credit Is Confidence**

is the integrity of an individual to carry through his agreements.

Your willingness to pay promptly to the bank on which the retailer extends credit to you, charges accounts are due and payable on receipt of statement; installment accounts are due on the date specified.

**Pay Your Obligations Promptly**

**MAIL it to day**

Now--the time has come when you should pay your bills.

Thank!

**KEEP YOUR PROMISE**

Each month, when you receive your bill, you are reminded to keep your promise to pay promptly and which is the basis of the credit standing of the individual.

**Prompt payment of accounts builds a credit record of promptness and reliability.**

**Your Account Is Balanced!**

This is just a reminder that we missed you last month.

**Use Your Charge Account!**

**HAS IT OCCURRED TO YOU**

that your unpaid account, if enforced against you, would be a stain on the file of the credit bureau, may jeopardize your credit standing?

The National Retail Credit Association, of which we are a member, is an international organization and in the files of the affiliated credit bureaus are maintained accurate, up-to-date records on millions of credit customers.

**PLEASE protect your credit standing by making payment NOW!**

**The Credit Bureau**

There is a Credit Bureau in this community that keeps a record of the manner in which you pay your bills. This file is open to every creditor.

As a cooperating member we furnish the Bureau a list of slow and unsatisfactory accounts. If your past due account is reported to them, it may affect your credit record. Guard your credit by paying all bills promptly.

**A SHOPPING CONVENIENCE**

• Credit is extended as a shopping convenience. But it is more than a convenience. It has definite value to the user. The most people depend on a monthly salary or income. By using their credit, they are able to meet current expenses out of current income.

• Every charge account that is paid in full each month, and each contract that is paid as agreed helps to build and maintain a "Prompt Pay" record.

**This is a Blank Statement!**

To remind you that we miss your patronage and to extend this invitation: Use Your Charge Account!

**How to Build a Good Credit Record**

1-Pay charge accounts in full within 10 days after receipt of bill.

2-Make contract payments on or before due date.

3-Guard your credit as a sacred trust.

**Thank You!**

The promptness with which you have paid your account is appreciated. We hope you will use it regularly.

**A Friendly Reminder!**

As this account is overdue, your remittance will be greatly appreciated.

**Prompt Payment Builds Good Credit--"Worth More Than Gold"**

**Don't Break Your Promise**

Your recent remittance was appreciated. However, it will not be enough unless with understanding. Please bring the account into current condition and maintain a record for promptness.

**Just to Remind You...**

That this account is now due. We'll appreciate your remittance.

Thank You!

**Maintain a Good Credit Record**

It is more than a convenience--it is a necessity. It has definite value to the user. The most people depend on a monthly salary or income. By using their credit, they are able to meet current expenses out of current income.

• Every charge account that is paid in full each month, and each contract that is paid as agreed helps to build and maintain a "Prompt Pay" record.

**Past Due!**

**PROMPT** payment of this account is necessary to protect your credit record.

**Guard Your Credit As a Sacred Trust.**

**We have YOUR NAME in this "Who's Who"**

As a member of the Credit Bureau we are called upon to report, at frequent intervals, the credit standing of our customers. This report is available to every merchant or professional man who is a member of the Credit Bureau.

Your account with us at the present time is **PAST DUE**. To maintain a good credit record, you should make a payment **NOW** or arrange for an early settlement.

From \_\_\_\_\_

Owed to \_\_\_\_\_

Balance \$ \_\_\_\_\_ Past Due \$ \_\_\_\_\_

Date \_\_\_\_\_

**Guard Your Credit as a Sacred Trust**

**TEST TELLS**

The PHYSICIAN. The HOSPITAL. The THEATRE.

The CREDIT BUREAU also notified... (text continues)

**NATIONAL RETAIL CREDIT ASSOCIATION**

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**Pay your bills in full TODAY**

So that your credit will be good TOMORROW

**MEMBER**

National Retail Credit Association

**THE CREDIT BUREAU**

• Has it occurred to you that your unpaid account, if enforced against your record in the file of the credit bureau, may jeopardize your credit standing?

• The National Retail Credit Association, of which we are a member, is a national nonprofit organization with more than 12,000 members in the United States, Canada, Alaska, and Hawaii. In the files of its affiliated credit bureaus are maintained accurate, up-to-date records on millions of credit customers. These form the basis of credit reports used by many retailers and others to judge the character and trustworthiness of applicants for credit.

• The purpose of this reminder is to help you protect your credit standing in the community by making payment NOW.

From \_\_\_\_\_

Owed to \_\_\_\_\_

Balance \$ \_\_\_\_\_

Stickers and inserts, \$3.00 a 1,000, assorted \$3.50 a 1,000 in lots of 100. Order from N.R.C.A., 375 Jackson Ave., St. Louis 5, Mo.

# *A New and Powerful* **CREDIT EDUCATIONAL MOTION PICTURE**

THE GOOD THINGS OF LIFE—ON CREDIT, a 16 mm. 25-minute black and white motion picture is now ready for immediate distribution. This retail credit educational film will have immense influence on the betterment of consumer attitudes throughout the North American Continent.

Here is a scene from the picture in which an average American couple discuss their credit requirements with a friendly and cooperative credit sales manager.



Audiences who have seen the film are unanimous in their praise for the skillful and dramatic way in which the theme of the motion picture is developed and presented. Attention is held as the story unfolds the benefits of **BUYING WISELY—PAYING PROMPTLY**. Here are a few of the many comments concerning the film received at the National Office:

"The film, *The Good Things of Life—on Credit*, was shown at the monthly meeting of the Retail Credit Granters of Alameda County on April 21, 1955. We had an attendance of 102. The film was most enthusiastically received. The other film purchased by N.R.C.A. District Eleven has been sent to Los Angeles for use in the southern part of the District. I have received a request from San Jose for the film to be shown there on May 4, 1955. The film tied-in nicely with National Retail Credit Education Week." *Ray C. Edwards, Smith's, Oakland, California, President, N.R.C.A. District 11.*

\* \* \*

"We had our first showing of N.R.C.A. motion picture film, *The Good Things of Life—on Credit* Wednesday, April 20, 1955, at a special meeting attended by about 35 members. All were delighted at the quality and entertainment value of this film. The message it presents is entertaining and intelligently handled. It is the opinion of our group that this is one of the best things N.R.C.A. has done. The film is to be shown on Channel 6 on April 23, 1955 and on Channel 13, May 3,

1955. Also, we plan to present the film to the Lions Club and to the Woodfords Club, the latter composed of the leading businessmen of Portland, Maine. We are working on several other bookings and we know that this film will be seen by thousands of persons in this area in the next few months. We are enthusiastic in our praise of N.R.C.A. for having furnished this excellent means of reaching the general public with our important message." *William J. Foley, Executive Secretary, Credit Bureau of Greater Portland, Inc., Portland, Maine.*

\* \* \*

"On Thursday noon, April 21, 1955, at a special luncheon, twenty of our downtown credit managers previewed the film, *The Good Things of Life—on Credit*. Without exception, they were highly pleased with the human interest story and the educational message on consumer credit it depicts. As a result of their enthusiastic reception of this motion picture, we are already answering inquiries concerning dates available for showing. We congratulate N.R.C.A. for a job well done. Our check for \$150.00 enclosed." *R. O. Gaudlitz, Manager, Springfield Credit Bureau, Inc., Springfield, Illinois.*

Every local retail credit association, in cooperation with the credit bureau, should consider purchase of this film as a profitable investment in consumer credit education. Its acquisition will have limitless possibilities in informing the public generally about credit and stimulating them to use credit wisely and to meet their obligations promptly. Your community should own a print of this outstanding credit educational film. Order one now. Price, \$150.00.

**NATIONAL RETAIL CREDIT ASSOCIATION**  
**375 JACKSON AVENUE** **ST. LOUIS 5, MISSOURI**

**2 CREDIT WORLD**  
JULY 1955



# The CREDIT WORLD

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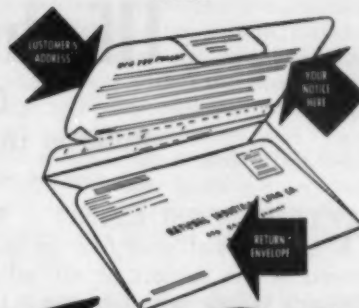
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CW-13

# What's Wrong With Chapter XIII Of the Bankruptcy Act?

Clarence W. Allgood  
Referee in Bankruptcy, Birmingham, Alabama

(An address given before a joint conference of Districts 3 and 4, Birmingham, Alabama, April 19, 1955)

**A**FTER CONSULTING a number of the members of your fine organization, we have chosen as the subject of my talk to you today: "What's Wrong with Chapter XIII." Considering our successful experience in this District with wage earner amortizations, you might well conclude that this is a strange approach for your speaker to take. And the statistics are indeed impressive: Debtor petitions have been filed in the Birmingham District since 1933, and a large majority of these cases have been successfully concluded; \$11,719,719.50 has been paid to creditors since October of 1933; thousands of our families have been saved from bankruptcy and financial ruin; and we have significantly reduced wage earner bankruptcies to a minimum. Despite these accomplishments, Chapter XIII is not being used as widely as we originally hoped, and we still have our troubles.

## *Foresight of Authors of Act*

In the beginning, utilizing the meager experience gained from a few cases filed under Sections 12 and 74 of the Old Bankruptcy Act, and the special procedure molded here in Birmingham, the authors of Chapter XIII did a truly remarkable job. I am constantly reminded of their foresighted wisdom. The few amendments and suggested amendments, together with the relatively few reviews or appeals from decisions of Referees and District Judges, fully demonstrate the fundamental strength of this section of the Chandler Act as it was originally enacted.

Due largely to the efforts of the National Retail Credit Association, each year finds more and more Chapter XIII cases being filed in other Judicial districts; however, progress has been slow, and the percentage of failures has been entirely too high. Many referees, conscientiously and sincerely, do not believe in the use of wage earner petitions. They feel that bankruptcy is the proper remedy for a wage earner in serious financial difficulties. Some feel that the administration of debtor cases has a tendency to make a collection agency out of the court. Others feel that a referee should not be required to assume the combined roles of guardian and father confessor to a lot of improvident individuals who give them a bad time with their trials and tribulations. I must confess that, after receiving a frantic phone call at 4:00 A.M. from one of our debtors who wants to let me know that he has been garnished by a subsequent creditor, or who wants his payments reduced or suspended because "Grandma is sick," I agree with all of them at times.

If, for whatever reason, the referee is not sold on this

type case, neither the lawyer nor the credit man will get very far in trying to promote the use of Chapter XIII as a means of reducing the number of bankruptcies in his district. If the referee is unsympathetic, the credit man's only hope is to sell him a bill of goods on giving debtor cases a trial. We feel that in trying to get our cases properly set up with proposals, fair to the debtor and reasonable to the creditor, on a basis that will ultimately insure the creditor payment in full of his account and rehabilitate the debtor to the extent that he will again become a good credit risk, we are doing a constructive job that will greatly benefit our community, and, in itself, justify all of the worries and headaches that we encounter in our work—and I assure you that they are numerous.

There have been many times when I have been on the verge of saying, "To heck with it, let's bankrupt the whole lot of them." I cannot begin to enumerate here the many, many problems we have had to overcome. But always when we have had such problems, I have felt free to go to the credit men for help and advice, and they have always been most generous with their time. Their assistance has been invaluable. We have worked together to do a job, and that is as it should be. I have never yet asked a credit man in this district for a favor in the handling of these cases that I did not receive. Many times they go further to help us work out difficult cases than anyone could reasonably expect of them. Now I do not mean to give you the impression that all creditors like wage earner petitions. We would all prefer to have a minimum of worthy distress cases, but we have to take the good with the bad, and human nature is such that, regardless of how careful you may be in granting credit, a certain number of your accounts are going to prove troublesome and a debtor petition is far better than a bankruptcy. Believe it or not, I have had a few individuals tell me that they would much rather have a bankruptcy than a wage earner petition; that they could charge the bankruptcy off and not have to report the account to the home office as past due. I do not call these people credit men.

## *Provisions of Section 656*

Section 656 (b) of the Bankruptcy Act provides that "Before confirming a plan, the court shall require from each creditor proof that the claim filed by him is free from usury under the laws of the state in which the debt was contracted." This provision makes many of our creditors in the loan business very unhappy with us. In most cases, as unsecured creditors, they find that it takes, at best, many months for their claims to be paid. When, under our state laws, they are allowed no interest, and when, in many instances, they are required to credit their claims with interest paid on previous loans, you cannot

expect them to like it. Nevertheless, here again, although we cause loan companies in our territory to lose at least a quarter of a million dollars a year in interest, we find the group as a whole giving us their full cooperation. They work with us splendidly, and I am sure that most of them realize that while we cut them out of a lot of interest, we more than make up for it in the number of principal claims we save for them.

Even if the referee is able and willing to do his part, we still have an even greater problem in the trustee, or supervisor, as he is called in many districts. The Act provides for the appointment of a trustee in each case whose duties shall primarily be the collection and disbursement of payments by the debtor as provided for in the plan submitted by the debtor to his creditors and confirmed by the referee. If the trustee does a good job, the referee's job is made immeasurably easier. If creditors receive their money regularly and promptly, creditor resistance is reduced to a minimum, and people who find themselves with unmanageable financial problems are encouraged by credit managers and employers to file wage earner petitions. We find that a large number of these people who come into our court do so upon the advice of some credit manager of one of their creditors and to whom they have gone to discuss their account. On the other hand, I have known of cases where a creditor has agreed to sell an individual on the condition that he file a wage earner petition. I cannot say that I approve of this procedure, but it does happen.

#### **Provisions for Compensation**

The Act provides that the trustee shall be compensated by payment of 5 per cent of monies paid to creditors, plus his actual and necessary expenses. This in itself causes many problems. In a district where only a few cases are filed, the return is so meager that it does not justify the services of a full-time man. In many such districts, attorneys are appointed, but, with rare exceptions, this arrangement is not satisfactory. Nor does the appointment of more than one trustee to serve in a district prove wise; it always works a hardship on both referee and creditors.

We were fortunate enough to stumble upon both the right man and the correct answer to the problem shortly after we began using wage earner amortizations. At first we tried using young attorneys but soon found that such an arrangement was not feasible. Some of our larger creditors who felt that their bankruptcy losses were reaching disastrous proportions met with the referee and worked out a plan to select one man with bookkeeping and collection experience to act as trustee in all cases and guarantee him a salary. It was understood that if his fees allowable under the Act did not enable him to earn the agreed salary, these creditors would make up the difference. So far as I know they never had to do so, although they did from time to time in the beginning furnish clerical help. At that time, our present trustee or supervisor, John A. Stubinger, was appointed. If I were pinned down to name the chief factor in the success and growth of our court, I would say that it was the appointment of him to act as supervisor in all cases. He now employs 25 clerks in his office, handles approximately \$300,000.00 each month, and has disbursed to creditors since January 1, 1955, the sum of \$693,497.00. Mr. Stubinger is being paid a salary commensurate with his responsibilities and duties, and as our volume of disburse-

ments has increased, we have reduced the administrative costs to the debtor to as low a figure as we have felt wise. It is my opinion that, while it is vital to the success of debtor cases to keep the costs of such cases to a reasonable figure, the cost should never be so low that an individual could file a wage earner petition and, in effect, group and refinance his obligations at a lesser cost than he could arrange through regular credit resources. While payment by the debtor of costs and attorneys' fees does in some cases work a hardship on some creditors, it would prove, in the long run, a far greater hardship if costs were to be eliminated or reduced to such a low figure that it would encourage the filing of cases by those who do not absolutely need to do so.

#### **Experiences of Other Districts**

On the other hand, we know of districts where Chapter XIII cases have been discouraged and almost eliminated by excessive attorneys' fees and costs. We have never put the full cost provided under the Act on these cases and our scale of attorneys' fees, beginning at a minimum of \$15.00 per case and scaled upward in proportion to liabilities listed and time spent on the case, is, we think, very reasonable. The referee always sets the fee and in many cases we provide in the confirmation order for payment of these fees along with creditors—in some cases, after creditors. In such cases, the same order is made as to court costs. We think it only fair that if payment of attorneys' fees is to be made out of its order of priority, costs should be treated in the same manner. The Act calls for payment of costs first, attorneys' fees next, and then creditors. To do this in all cases would, at times, make the plan offered to creditors unworkable and unreasonable; for that reason we frequently modify the rule. Attorneys do not object, and we do not believe that the Administrative Office of the United States Courts will seriously do so. The law definitely should be changed to allow the referee to order payment of costs and attorneys' fees in debtor cases along with creditors or even after creditors have been paid, if, in his judgment, he feels that the case justifies it. The biggest complaint we have from creditors is the delay in receiving disbursements due to the necessity of paying costs and attorneys' fees before creditors, and, in cases where dismissal is necessary before all creditors are paid due to failure of the plan for any reason, creditors take the loss.

#### **Employers' Cooperation With Court**

In our district most large employers co-operate fully with the court and make deductions from the employees' earnings for the court payments. These deductions are usually remitted to the court by monthly payment which has to be posted to each debtor's account and then disbursed to creditors in accordance with the confirmation. Many of the employers prefer to send the debtor's entire earnings to the court and do so promptly upon receipt of a proper court order. This, of course, requires the debtor to come to the court for his pay day, and the supervisor's office must make a check to the debtor for the balance of his wages, over and above the court payment. While this plan is more complicated and expensive to handle than the deduction plan, we always go along with the employer and use either plan that he might prefer. In many cases where the employer does not make deductions we allow the debtor to make his payments direct and a



surprisingly large number of them do so promptly. The supervisor has a rule that if a debtor who is making his payments into court direct, misses one monthly payment without excuse, the debtor's entire check is then ordered into court. We have three cashiers in the supervisor's office and on railroad pay days four cashiers are used. When you realize that we have more than 7,000 active cases pending, and that we disburse to creditors monthly, you can understand what a tremendous undertaking it is.

Our main problem has always been the subsequent creditor—what to do with him? We have tried everything in the book and nothing does the job. Weinstein in his analysis of the Bankruptcy Law of 1938, prepared for the National Association of Credit Men, in discussing Section 658, states: "This is a new provision. The plan which is conclusive upon all parties binds not only the past creditors but is equally effective against subsequent creditors." For the purpose of enforcing the provisions of the plan, the court is given exclusive jurisdiction of the debtor, his property, and his future earnings. If a subsequent creditor, in his efforts to collect his account, interferes with the debtor's earnings to the extent that the debtor cannot make his payments to the court, or in any way places the debtor's employment in jeopardy, such creditor can be enjoined and restrained. We started out adhering strictly to this procedure. We soon found that this not only caused the court to do a large amount of extra work, but also worked a severe hardship on many innocent creditors. The small grocery man who could not afford credit reports, or at least thought he could not (a new credit report always pays for itself); the doctor called in an emergency who most certainly would

not be expected to inquire whether his patient was in the court; and many other such creditors, were, we thought, being unduly penalized by restraining orders, which, in effect, forced them to wait without payment for a year or more. We then adopted procedures which enabled the debtor to amend his petition adding the subsequent creditor, requiring the debtor to increase his payments into court to take care of the creditors added by amendment. We soon found a few creditors taking advantage of this procedure to the extent that they actually solicited people who were in the court, knowing that if the debtor did not pay them direct, they could threaten garnishment proceedings against him or actually garnish his wages, thus causing him to file an amendment and include them in the case. Then, some of our debtors, finding that they are comparatively safe from garnishment while in the court, apparently go out and buy anything and everything they can. The amount of credit that some of them are able to get while they are in the court amazes me.

I am reminded of one of our worst cases, a Negro employed as a laborer by one of our large corporations. At the time his case was filed, this debtor's earnings averaged \$50.00 per week. He claimed one wife and seven children as dependents. The wage earner petition listed originally less than \$200.00 in liabilities. This is an extreme case, but this debtor was one of the best salesmen that I have ever known, and evidently sold a large number of credit people on the idea of letting him have additional credit while in the court. When his case was finally closed we had paid over \$3,000.00 to creditors. Of course, this should not be allowed, and while it is hard

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to place the blame for such a case, I am willing to accept a large part of it. In our efforts to protect original creditors in such cases, we release subsequent garnishments, increase the debtor's payments into court to take care of the subsequent creditors and in so doing we become committed to the case to such an extent that we cannot turn it loose. I am frank to admit that I have a tendency to get "bullheaded" about such cases and go to extremes to see that creditors are paid. While we do successfully conclude many cases of this type, the odds are against doing so, and most of our failures can be traced directly to the subsequent creditor.

We have found from bitter experience that neither restraining orders nor amendments are a complete solution to the problem. Each case is different and no set rule can be adopted that will fit every case. We have reached the conclusion that we should use restraining orders in cases where we find creditors selling debtors indiscriminately. In other instances, where the debtor is largely at fault, payments are increased to provide payments for the subsequent creditors. In some cases this finally reaches a breaking point and the debtor's payments cannot be further increased. We then find it necessary either to enjoin any additional creditors or to allow them to file claims to be paid after prior listed creditors. A few of these cases get completely out of hand and there is no proper solution. We could, of course, dismiss the case or convert it to bankruptcy; however, both of these courses are highly objectionable to us. We make every effort to see that this type of debtor is forced to pay his creditors in full. Debtors who are not honest, or those who turn out to be chronic credit seekers, when this becomes known to the court, are placed on a list and we refuse to confirm any further wage earner petition for them. This also applies to debtors who have proved to us in the past that no feasible plan can be worked out for them. It is my thought that an amendment to the Act would be in order which would prevent a debtor who has had a case dismissed for failure to comply, from filing a new petition for a period of at least one year. We have a local rule of court to this effect. Due to the fact that this rule is local it was thought wise to provide that such cases could be filed only with the approval of one of the referees. This puts an unnecessary burden on the referee and should not be included.

#### ***Few Compositions Requested***

While the Act provides for them, we have few compositions. We do not encourage them as we feel that very few cases justify a plan that would not, in time, pay all creditors in full. Occasionally we have a wage earner trying to pay, out of his earnings, debts accumulated through a business failure. In these cases where the debts are completely out of reach, we feel that a composition is in order. They are few, however. I do not recall confirming more than three cases last year where a composition, or scaling down of the debts, was a part of the plan.

Section 606 (8) which prevents a wage earner whose income is in excess of \$5,000.00, from filing a debtor petition, should be increased to \$10,000.00, or removed entirely. In my opinion, this section should be completely deleted. Why discriminate? If a man is a wage earner and in financial difficulties, he is in trouble regardless of

what his income might be. Why force him into bankruptcy because he has an income in excess of \$5,000.00? By agreement with creditors we have confirmed many cases which would have been barred by this section, and they work out better than the average case. We have just closed a case filed by a young doctor. This doctor's income was considerably in excess of the limitation, and there is some doubt as to whether or not he could qualify otherwise as a wage earner. It was to the best interest of all creditors, however, to confirm his debtor petition, the only alternative in this case being bankruptcy, which would have ruined the doctor and certainly would not have helped his creditors. He came to Birmingham newly married, and fresh out of the Army. He had never, prior to his arrival here, had any income other than his army pay. He met and married his wife while in Europe and she, too, had no experience in handling money. Certainly neither realized what a terrible thing too much credit could do to a person. This doctor was working for a company at an excellent salary, and was allowed to engage in private practice on the side. In the beginning his income was larger than either he or his wife had ever dreamed of. They really "shot the works"—new house with all the furnishings, Cadillac automobile, TV sets, country club, clothes and more clothes, parties, etc., all on credit. It did not take long for all of this to catch up with this young couple. They found themselves hopelessly involved and considered everything from flight to suicide. They were both thoroughly honest people with the courage to face their problems. Fortunately, the doctor went, in the beginning, to a fine credit man to tell him why he could not pay his account when due and to seek advice. This credit man took the time to go into the affairs of the doctor thoroughly. When the full picture was revealed he could easily see that this was a situation which would be hard to work out. It was suggested that the doctor file a wage earner petition. He did not like any part of it, but after discussing the matter with his immediate superior, he came to the conclusion that this was his only hope. The case was filed, and my associate referee, The Honorable Herbert Maulitz, with the help of creditors, worked out a feasible and acceptable plan which enabled the doctor to pay his obligations. I am firmly convinced that both this young man and his wife have learned a lesson that they will never forget. He is a fine physician and can go on to a helpful and successful career with his head high and without the stigma of bankruptcy on his record. We feel that this and many other similar cases fully justify our contention that Section 606 (8) should be deleted.

You can readily see from what has been said that, in so far as the Act itself is concerned, we find nothing fundamentally wrong, and not too many changes that are really needed. Our trouble is primarily in the administration of the Act.

It has been my extreme good fortune to serve under District Judges and with referees who have been learned in the law and at the same time have had a thorough and sympathetic understanding of wage earner amortizations. Their combined efforts have enabled us to combat bankruptcy in north Alabama with marked results.

The following statistics compiled from our records demonstrate clearly that the successful employment of

(Turn to "Chapter 13," page 29.)

# Love That Roto Charge Account

HAZEL D. SKILES, Credit Sales Manager, The Schradzki Company, Peoria, Illinois

**T**HE BUTCHER, the baker, the candlestick maker, yes the smiling man who says, "I'll tell you when it hurts" as he yanks out a tooth, the young M.D. who has just hung up his new shingle, the fresh, eager beaver selling insurance, who hopes one day to sit at the Million-Dollar Round Table, the pert, young miss dreaming of a new dress as she sharpens her pencils for dictation, the home manager with her budget, and the men in the industrial plants, all of these love Schradzki's ROTO CHARGE ACCOUNT!

Proof of this is our never ending stream of customers inquiring about this plan. One day, back in 1948, having returned from a National Retail Credit conference, I approached the president of our company with the idea of a revolving credit plan. It is wonderful to work with an executive alert to new ideas. He gave me the green light!

So we went into operation, set up advertising for full-page ads, and drew up a question-and-answer brochure, which we had printed explaining the plan in detail. We decided to call ours ROTO CHARGE ACCOUNT. A special store meeting was called explaining this plan to all employees, as the ROTO CHARGE ACCOUNT was for every department in the store. The salespeople hailed this with much enthusiasm!

Needless to say, we were besieged with inquiries from our customers and many new customers came in, in response to the advertisements. At the time of interview a thorough explanation is given. The service charge is explained to the customer. We not only tell them to read the fine print in the brochure given, we underline the part about service charge. Then we hand the folder to the customer to take home as it explains the plan in detail.

Once the account is established, the customer can keep on this plan for years. Heretofore, on all 90-day accounts and larger purchases the customer was always coming to the office and making arrangements on each transaction. Now the only time it is necessary for a

customer to come to the office is when he wants his limit increased. In the interview of new accounts we talk "Buying Power." We say: "If you can pay \$15.00 per month, your buying power is \$90.00. Suppose you want to charge today only \$65.00. Having made your \$15.00 the 10th of next month you'll be open to buy \$40.00." But customers forget. Not infrequently do we receive phone calls from customers and when shopping in the store, they want to know how much they are "open to buy."

Many new accounts are opened because the new-account customer has a friend who lauds the ROTO CHARGE ACCOUNT. Many new accounts are opened, also, because of the exuberance of our salespeople, who know that a customer with a ROTO CHARGE ACCOUNT buys more.

Overbuying and overlimits are easily handled. If over the limit, we suggest a down payment at the time of purchase to bring the account in line with the limit, or step up the account to a higher bracket. If a customer has left the store and the merchandise is to be delivered, we have an effective, tactful letter which brings good co-operation.


The method of charging service charge is simple. Beginning on the eleventh of each month the bookkeeper bills this charge on the statement. She figures the amount in an instant, just glancing at the statement, as we charge one-half of 1 per cent (one-half penny for each \$1.00) of the unpaid balance, giving the customer the benefit of payment made the tenth of the month. While this is a small item, still it is a talking point emphasizing the due date—the tenth of each month.

No new equipment was needed. We do not use separate ledgers, just a pale pink ledger sheet (our 30-day accounts are pale blue). ROTO CHARGE ACCOUNTS are interfiled with the regular accounts. Limit and payment due each month are typed on upper right-hand corner of each ledger sheet. The distinguishing feature between a regular account and the ROTO CHARGE ACCOUNT is the sticker we use, which is small and placed on the statement head at the beginning of each month when statements from the Addressograph are dropped in the ledger and forward balances are transferred to statements.

Most popular ROTO CHARGE ACCOUNTS are limits of \$90.00 to \$120.00; however, we have a number of accounts with limits of \$180.00 paying \$30.00 per month, and a group of accounts with limits of \$300.00 which yield us \$50.00 per month. The ROTO CHARGE ACCOUNT has been a great success.

1. It does increase volume. It keeps customers buying more.
2. The ROTO CHARGE ACCOUNT has a psychological factor of stimulating more purchasing and makes the customer conscious of buying up to his limit.
3. It establishes a sound credit policy. Every new-account customer who leaves our office is "conditioned" and not only alerted to when payment is due, but more emphasis is placed on buying. ★★★

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# Do Garnishment Laws Work to the Best Interest of Consumer Credit?

**Henry C. Alexander**

*Credit Manager, Belk Brothers Company, Charlotte, North Carolina  
Past President, National Retail Credit Association*

WOULD IT BE WELL at this time to give some serious thought to a review and a revaluation of the question of garnishment and assignment laws in effect in many of our states? Like many other controversial questions, there must exist a divergence of opinions. Some are for even more stringent laws, others for less harsh legislation, and still another group bitterly opposed to any. With this difference in opinion it seems well to open this subject to careful and complete research to ascertain just what are the benefits derived from such laws and what, if any, are the disadvantages.

The principal advantage of the law is the one it was designed to accomplish. It permits the legal collection of an obligation through a levy or attachment of any earnings due. Assignments vary as do garnishments in the various states, but they are much the same in principle. The laws seem to be used less than the threat or knowledge that the remedy exists and can be used when and if necessary.

An additional advantage appears to be the fact that, in some states at least, collections can be made through Justice of Peace or Magistrates Courts, often without attorneys, and with a saving of fees that would normally go to a Collection Agency. This advantage seems to have its major appeal to the small merchant whose credit operation is run on the "guess method" rather than on "Factbilt" information and an efficient, regular collection follow-up.

The advantages we have listed are limited in many states by employees who are exempt from the laws. Federal employees are not subject to such action and many states allow special exemptions that prevent effective action against many others. All in all, it is a remedy that can and does collect larger sums of money that might otherwise be listed as permanent profit-and-loss items.

But, as in all things, there are disadvantages to be considered along with the good points. Where such laws exist, voluntary bankruptcy by wage earners is a major problem. In fact, in one Federal District with less population than the district in which I live, the number of bankruptcies over a ten-year period was 2,357 times greater than the entire state of North Carolina. Even with recoveries that are possible through the provisions of Chapter XIII, this means a substantial loss in bad debts. Where the individual is not forced to take advantage of bankruptcy, the account remains an open item and one where a chance of collecting remains. Once it is cleared by the Bankruptcy Court it is, except in rare cases, gone forever.

Many of the evils of such collection laws seem to spring from the fact that the presence of such statutes on the books of a state encourages the existence of many firms who operate on the fringe of respectability. The high-pressure installment salesman, the unethical type of loan company, the strictly Borax operations, find a climate to their liking. Many times I have been told by executives of chains whose operations are more or less in this class, that they have no branches in North Carolina.

"You have no collection laws!" On the other hand, I have never heard of a strictly high-class, ethical firm, staying out of our state for the same reason. That does not mean that non-garnishee states are free from such firms. But it does mean that they have far less to contend with and are able to operate with a minimum of this type of competition.

Since the first problem of any business is to get sales, let us consider this angle. Comparative figures from different sections are far too complex for me to evaluate. But as far as I can ascertain, there is no appreciable variation in the retail volume as compared to the expendable income in states that have such laws as compared with states which do not. True, with the backing of such a law you might increase volume by taking more credit chances, but so do your next-door neighbors and so do the fringe operators whose existence is encouraged by such laws. In the limited research that I have been able to make, it seems safe to say that it does not increase volume.

Perhaps, since the primary purpose of the laws is to encourage collections rather than sales, we should examine their effectiveness in that field. From figures that exist in our own organization (which operates in some 15 states), I find that collection percentages are governed by type of clientele, community policy, and the care used in extension and collection of accounts. This is borne out by conversation with credit executives from all over the nation. So far, my observations have not indicated any better collection percentages that can be directly attributed to such laws.

In the matter of bad-debt losses, we see the same pattern unfold. As a rule the majority of the higher-type business firms do not take advantage of these laws. True, they might in an extreme case do so and they quite often use the threat of such action, but in the long run it has little effect on their final results. In fact, in some groups of stores, credit losses are definitely greater in states with garnishment laws than in states where such laws do not exist.

In fact, a check made of eight stores in a state with a rigid collection, as compared with a similar number in a state without garnishment or assignment, shows a slightly lower bad-debt loss for the state without such laws. This check was based on eight stores in each state. They were in the department store and specialty field and ranged in volume from one to over twenty million charge sales.

In the state with strong collection laws the net bad-debt loss, after recoveries, averaged .3627; in the eight stores in the state that had no such laws, the net figure was .2985—not a wide difference, but certainly an indication that credit operations are not dependent on such laws to keep losses in line.

Another point of interest is the viewpoint of the credit managers who recently wrote me in this connection. The first is head of the credit sales department of one of America's largest and best-known stores. It is one of a group of outstanding department stores whose scope of operations extends across the nation. He writes:



"As far as the department stores in our city are concerned, they are not at all interested in any garnishee laws. Our losses are *much* smaller than in states I definitely know have a garnishee law. This I glean from the information I gathered from our own group of stores. As a matter of fact, we would fight any effort on the part of anyone to put a garnishee law into effect in our state because it would have an unwholesome effect on our volume of business and would certainly hinder the high-grade way in which we operate our business."

And from the credit manager of a large department store in a state with a stringent collection law:

"We are far from proud of the conditions that exist in our city. My firm does not use the law except on rare occasions. The trouble comes from loan sharks, cheap installment houses, and a few unethical lawyers." He further stated that, from his viewpoint, conditions would be better if the law were modified or repealed.

It is not the purpose of this article to advocate repeal of existing laws or to fight the passage of legislation in those states that do not have them on the books at present. I do feel that there is sufficient evidence, first, of the failure of such laws to benefit the over-all credit structure, and, second, their being to some extent a detriment to the high type ethical operation of consumer credit, to justify additional thought and study.

I realize that many would oppose any change that would weaken the present laws. But with consumer credit becoming a more important factor in our national economy and our way of life, we must be ever mindful of the obligation we owe to our firms, to our customer, and to the national prosperity. Our job is, by the proper use of credit, to promote employment, sales, profits, and the constant improvement of the American

standard of living. Consumer credit did not cease to be when debtor prisons were abolished. On the contrary, it took on a new dignity and new stature. Man began to realize the importance of the three C's.

I firmly believe that the type of credit management that has developed over the past quarter century, the vast amount of "Factbilt" credit information available, the ability of our system of Credit Bureaus to serve us efficiently, speedily and economically, form the basic needs for the operation of credit. The Collection Service Division of the Associated Credit Bureaus of America now operates in both types of states. In each they do an excellent job of collecting and rehabilitating the customer, and, in most cases, without any threat or action against his salary or wages.

The customer also has become more conscious of the value of his credit rating. Both the National Retail Credit Association and the Associated Credit Bureaus of America are constantly striving to this end. Certainly as the customer becomes aware of the value of his credit record in the Bureau files, the entire credit picture improves. Consumer credit has reached its present position because those who pioneered were not afraid to change, to seek new methods, to open new fields of opportunity. They have made credit a dynamic force in our distribution system.

The future of our nation depends upon the continued creation of wealth by production. Production depends upon distribution, and distribution depends upon credit. Credit, in turn, depends upon how we face each problem, large or small, with an open mind and a determination to improve conditions constantly.

Let us give this our serious consideration. Does the existence of garnishment laws work to the best interest of consumer credit? ★★★

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## New Law on N.S.F. Checks in Minnesota

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The number of "insufficient funds" checks has been increasing rapidly in Minneapolis, Minnesota, for the past three years. The N.S.F. check reports increased from 977 in 1947 to 3,246 in 1953 to 4,403 in 1954. The legislative committee of the Retail Credit Association of Minneapolis drew up a bill to be introduced in the legislature which it felt would go a long way toward reducing this undesirable practice. After passing both houses of the legislature the bill was signed by the Governor.

The law is reprinted below. Section One of the law had been on the statute books for many years and Sections Two and Three are the additions made by our legislative committee. A misdemeanor in Minnesota is punishable by a sentence of 90 days in jail or \$100 fine and comes under the jurisdiction of the Municipal Court instead of the District Court. For many years we had another law on the books which would make it a gross misdemeanor for a person to issue a check without funds and *with intent to defraud*. As it is practically impossible to prove intent to defraud in the case of an N.S.F. check, we were rarely able to get a prosecution.

A BILL  
FOR AN ACT RELATING TO THE ISSUANCE OF A  
CHECK WITHOUT SUFFICIENT FUNDS

Section 1. Every person, firm, or corporation who shall issue any check, draft, or order upon a bank or other depository for the payment of money in payment of wages to any laborer or employee without having sufficient funds in, or credit in, such bank or other depository for the payment of such check, draft, or order in full upon its presentation, shall be guilty of a misdemeanor.

Section 2. Every person, firm, or corporation who shall issue any check, draft, or order upon a bank or other depository for the payment of money for any purpose other than in payment of wages to any laborer or employee without having sufficient funds in, or credit in, such bank or other depository for the payment of such check, draft or order in full upon its presentation shall be guilty of a misdemeanor, unless within ten days after the issuer shall have received written notice of dishonor, he shall deposit with the bank or other depository, or pay or tender to the party in possession of such check, draft, or order sufficient money to constitute payment in full.

Section 3. The provisions of this act shall not apply to a check, draft, or order dated subsequent to the date of issue.

Now that our bill has become law, our Association intends to make up a small insert which will be furnished to our members so that when they write a letter informing a person that his check has been returned, they can also enclose the insert to acquaint him with the law regarding N.S.F. checks. It is our hope that this will go a long way toward discouraging the practice in Minnesota.—C. A. Wildes, Secretary, Retail Credit Association of Minneapolis, Minneapolis, Minnesota.



# The Romance of Selling Automobiles on Credit

Rudolf H. Hertz

Assistant Vice President, The Merchants Bank of New York, New York

OF THE 60 million passenger cars, registered on our planet today, about 45 million are owned and operated by inhabitants of the United States. If you are curious to know how this astonishing evolution of the automobile in our country has come about, it would be well to look at the statistics that have been assembled by our Government and by the automotive industry itself.

In the year 1900 the pioneers of our modern automobile manufactured the respectable total of 4,192 cars. In the year 1950, which happened to be a record year, the impressive total of 6,665,863 cars came rolling from the combined assembly lines of our passenger car plants which included, besides a few independents, such industrial giants as the Ford Motor Company, the Chrysler Corporation and General Motors.

The United States Department of Commerce says that in the year 1900 a total of 2,241 workers were employed in the process of making the horseless carriage. By the year 1950 this number had swollen to over 800,000 men and women in the automobile industry. One should remember, however, that these figures take into account only those persons who are directly engaged in the manufacturing end of car making. Who can tell accurately how many millions of Americans benefit indirectly from this great endeavor by finding a livelihood in lines of employment closely related to the task of creating the American dream of the automobile? There is the steel industry, for instance (which includes iron and coal as well), the rubber, glass and fiber industry, the gas and oil industry, the road-building industry (and that means everybody from engineer to tractor driver), there are the service and repair stations, the motels on the highway, the insurance underwriters, and last but not least, there are the financiers.

## Installment Selling a Great Stimulent

In 1938 Roger W. Babson wrote a book on the *Folly of Instalment Buying* (Fred A. Stokes Co., New York, N. Y.), in which he quotes Benjamin Franklin as saying: "He that goes aborrowing, goes asorrowing," and in which he holds furthermore that "buying on the installment plan is little more than paying for being misled into believing it proper to consume now where one has not yet earned." With all due respect to Mr. Babson, the fact remains, however, that installment selling (and therefore installment buying) of durable consumer goods, particularly of automobiles, has been one of the most powerful stimuli to our emergence as a first-rate industrial power. And by the same token, the absence of installment financing of automobiles and other durable consumer goods in the rest of the world may have accounted for a great part of the lagging of these nations behind our standard of living.

During the nineteenth century, economists in general approved the extension of loans for the purpose of production while they frowned upon loans which were requested ostensibly for the purpose of consumption. It remained for such flexible twentieth-century economists as Rolf Nugent to point out the fallacy of the classical

thinking. He stated that at times "consumer credit may be used to acquire durable goods which have been universally recognized as part of the national wealth, while producer credit may be used for purposes that contribute nothing to the total stock of useful goods" (CONSUMER CREDIT AND ECONOMIC STABILITY, Russell Sage Foundation, New York, N. Y., 1939, p. 31).

In fairness to Mr. Babson it should be said that, of all consumer loans, he considered those for the purchase of automobiles as the least disruptive to our economy. But in reply to Mr. Babson and all those critics who believe that a consumer should save first and then spend, the point must be made that this is a very noble thought but highly impractical. How many people on this earth possess the will power to save two years or more toward the cash purchase of a new automobile? Would they not more than likely be diverted from their goal by a thousand and one temptations of spending their money differently in the meantime? Day after day, people who come in for small loans are telling me: "If I take this money from my savings account, I shall never put it back. But if I take this loan, I am forced to pay it back from my current income." And to lead this matter one step further, perhaps *ad absurdum*: How many families could manage or afford to wait 20 or 25 years to accumulate enough money for the cash purchase of a home?

## Relationship Between Distribution and Consumption

The expansion-minded manufacturers of the early 1900's were quite aware of the direct relationship that exists between mass production, mass distribution, and mass consumption. It now has become an historical fact that by bringing the durable consumer goods (of which the automobile is one of the most important) within the reach of the average man, the industrialists increased their own production. By mass production, however, they were able to lower the price of their products and finally to raise the standard of living throughout the entire country.

At first, the banks of the nation were slow to recognize the economic impact of this development. For that reason, the automobile manufacturers began to team up with the sales finance companies which were ready, willing, and able to do their installment financing on a grand, nation-wide scale. As a result of these connections some large financing agencies were born: The General Motors Acceptance Corporation (GMAC), the Commercial Investment Trust (CIT), and the Commercial Credit Corporation (CCC). Even today, these "big three" are still enjoying a phenomenal lead in the automobile time-sale business.

During the late 1920's, aware of the startling success (and the low loss experience) of these national sales finance companies, the commercial banks finally got into the act. With the National City Bank of New York and the Bank of America in California pioneering the

(Turn to "Romance," page 29.)

# A Most Progressive Step

IN MAY 1936 it was my privilege and pleasure, at the District 10 Conference held at the Empress Hotel,



GENEVA McQUATTERS

Victoria, B. C., Canada, to attend an evening meeting of members of the Credit Women's Breakfast Clubs of that District. At that meeting it was decided to organize the International Association of Breakfast Clubs at the Silver Jubilee Convention of the National Retail Credit Association, June 15-18, 1937, in Spokane, Washington, birthplace of the National.

At the Spokane Convention I was present at the meeting of the committee appointed to draft the resolution making the Credit Women's Breakfast Clubs a division of the National Retail Credit Association. The resolution follows:

## RESOLUTION COMMENDING THE CREDIT WOMEN'S BREAKFAST CLUBS OF NORTH AMERICA

WHEREAS: It has come about that there has been organized the Credit Women's Breakfast Clubs of North America and further,

WHEREAS: It is the desire of the Credit Women's Breakfast Clubs of North America to be recognized officially as an affiliate of the National Retail Credit Association, and

WHEREAS: The purposes and objectives of this most worthy organization have been:

1. To develop a closer contact among credit women.
2. To maintain a friendly relationship between credit departments of the various firms represented and the local credit bureau.
3. To stimulate education in the practice and procedure of Credits.
4. To foster the aims and ideals of the National Retail Credit Association and, further,

WHEREAS: The assistance rendered by the various breakfast clubs throughout the nation prior to the completion of their organization at Spokane, has been infinitely significant in encouraging and inducing credit men and women from all sections of the continent to attend the Spokane Convention, and

WHEREAS: It is admitted and recognized by all in attendance at this convention that the Credit Women's Breakfast Clubs have added most significantly to the effectiveness and cultural atmosphere of the sessions of this convention at Spokane and

WHEREAS: The evidence is conclusive that the Credit Women's Breakfast Clubs are necessary to the further development of credit education and credit association influence and economic effectiveness,

NOW, THEREFORE: Be it resolved that the National Retail Credit Association, in convention assembled at Spokane, Washington, June 15 to 18, 1937, authoritatively and officially endorse the affiliation of the Credit Women's Breakfast Clubs of North America as a division of the National Retail Credit Association subject to the constitution and bylaws thereof, effective as of this date, and further,

BE IT RESOLVED: That this association convey officially to the Secretary of the Credit Women's Breakfast Clubs of North America a copy of these resolutions which shall be accepted as official recognition of affiliation as desired by the Credit Women's Breakfast Clubs of North America and further,

BE IT RESOLVED: That the sentiment of the delegates of this convention—most favorable and appreciative of the efforts and accomplishments of the Credit Women's Breakfast Clubs of North America—be expressed to the officers and members of that organization, and further,

BE IT RESOLVED: That the National Retail Credit Association in all branches of its activities shall lend its cooperation and active assistance to the Credit Women's Breakfast Clubs of

North America in the attainment of its ambitions, in the development of additional units to its organization, in obtaining a broader membership and in realizing the accomplishment of its lofty ideals and objectives.

At our Pittsburgh Convention in 1938 the first president of the Credit Women's Breakfast Clubs of North America, Miss Avadana Cochran, was a guest speaker. Her topic was "Cooperation and the Seven Dwarfs" and the address was delivered in her usually fine manner.

Then at San Antonio in 1940 it was my privilege to propose an amendment to our Constitution and Bylaws providing for the president and immediate past president of the Credit Women's Breakfast Clubs of North America to serve on the Board of Directors of the National Retail Credit Association.

Through the intervening years we have followed with interest the growth and accomplishments of the Credit Women's Breakfast Clubs of North America, accomplishments of which we are all proud, and which were the result of the splendid cooperation of Credit Managers and Credit Bureau Managers—both men and women—and the enthusiasm and hard work of members of the Credit Women's Breakfast Clubs of North America.

At our Silver Jubilee Convention, Miss Ethel M. Dopp of Spokane, Past President of the Pacific Northwest Council of Credit Women's Breakfast Clubs (President C.W.B.C. of N. A. 1940-1941), delivered a most interesting address on "The Future of Credit Women's Breakfast Clubs." I quote from that address:

We have not begun to realize the possibilities of such an organization as ours, any more than did the few men who built the foundation twenty-five years ago of an organization which has, without a doubt, proved to be a guardian angel to the retail merchants—the National Retail Credit Association.

The Credit Women's Breakfast Club is not a potentiality, but a permanent institution organized to perpetuate the ideals created and fostered by the National Retail Credit Association, and one of the future's most outstanding business women's organizations. Twenty-five years from now, those of you who have helped sponsor the Breakfast Club movement will look back with pride and gratification, realizing that you had a part to play in the creating of such a worth-while organization.

On its eighteenth birthday a most progressive step was taken—the opening of International Headquarters in the Railway Exchange Building, St. Louis, in an efficiently arranged suite, furnished in excellent taste. It is a home of which all Breakfast Clubbers will have occasion to be proud.

In charge is Miss Geneva F. McQuatters who, based on past experience, is eminently qualified for the position and was a wise choice of the committee appointed to select the Executive Secretary. Space will not permit an outline of her business experience but we feel safe in saying she will prove capable of doing an outstandingly successful job in serving the present clubs and in the promotion of new ones.

Congratulations, Breakfast Clubbers, on this forward step and best wishes to Miss McQuatters for success as executive manager of a fine organization.

L. S. Crowder

June 10, 1955

# Report of the President

William J. Tate

ONCE AGAIN the National Retail Credit Association has forged ahead to new heights and all members can be proud of the success which has been achieved in the fiscal year just ended. These results have been attained through the combined effort of the members, officers and directors ably guided by our General Manager-Treasurer, Lindley S. Crowder, and aided by his capable assistants, Arthur H. Hert and Leonard Berry. My personal thanks to all who have in any way helped to make this year a success.

As your President I have enjoyed the opportunity of meeting many of the members, of attending three district conferences and of visiting a dozen local associations. I admire the terrific drive of the members of Pacific Northwest, District Ten, the warmhearted hospitality of the members of New England States and Eastern Canada, District One, and the fine support and cooperation of the other districts which augurs well for the continued progress of the Association.

The enthusiasm of both officers and members of local and district associations is excellent but the great need, as always, is to instill that fire into the rank and file of the membership. It is only as they participate that they become enthusiastic. A partial solution was devised by one of the units I visited which divided its membership into nine teams. Each team took one of the meetings with certain of its members sitting at the head table and taking part by saying grace, introducing speakers or panel members

and thanking participants. In this way, at least, many members shared in at least one meeting and thus their interest was intensified.

More and more of our units are observing National Retail Credit Education Week and thus it is rapidly gaining recognition throughout the United States and Canada. I salute the Port Arthur-Fort William group who, with only twenty-three members, had four full pages of paid advertising in each of the local papers besides many hundreds of lines of news copy and photographs. Their members spoke at three of the schools, one service club and on two radio programs as well as placing two hundred placards in local store windows setting out our slogan, "Buy Wisely—Pay Promptly." I realize there are many others who have participated in a similar way and to all I express my appreciation for your efforts.

In conclusion, I wish to emphasize again that the success of our Association this year is due to the fine cooperation of officers and members of local, district, and national associations combining with many hundreds of willing workers and receiving able support from the membership of the Associated Credit Bureaus of America, Inc., under Harold A. Wallace and the Credit Women's Breakfast Clubs under Marjorie Girton. I am indeed grateful to all who have worked to advance the standing and recognition of the credit fraternity, to improve and facilitate the handling of credit operations and to promote the increased, though sane, use of credit by the public.

## Report of the Finance Committee

J. A. White, Chairman

YOUR FINANCE COMMITTEE met at the National Office on March 11, 1955. Members present were Kenneth Oetzel, Hugh L. Reagan and myself, with General Manager-Treasurer Crowder sitting in ex-officio.

Cash on hand and in banks, including Canada, at the close of our fiscal year, May 31, 1955, totaled \$31,933.92. This compares with \$30,643.06 at the end of May, 1954. Advance to the Pension Trust for payment of the mortgage on our building has been reduced to \$4,469.82. Following our practice of the past twenty years, all bills have been paid in the month in which they were incurred. There is no unpaid indebtedness.

The employment of S. D. Leidesdorf and Company, Certified Public Accountants, was authorized to conduct the semi-annual cash audit of receipts and disbursements. Report of the audit for six months ending November 30, 1954, was sent to the Chairman of the Committee, Joseph A. White, and to President Tate. The full year report will be included in the Directors' folders to be distributed to members of the Board at Louisville. Copies will be mailed to Directors who were absent.

It is a pleasure to report that the financial condition of your Association is excellent.

## Report of the General Manager-Treasurer

L. S. Crowder

President Tate attended meetings of Districts 1, 2, 10 and 12, Vice President Blue Districts 3, 4 and 8, Arthur Hert Districts 6 and 8, and Leonard Berry Districts 3, 4, 5 and 7. Reports received indicated very successful meetings.

### Cooperation

I acknowledge with appreciation the cooperation of President William J. Tate, the Officers, Directors and

Committee Members of N.R.C.A., the Officers and Directors of the Credit Granters' Association of Canada, the Associated Credit Bureaus of America, the Credit Women's Breakfast Clubs of North America, and the membership of the respective organizations.

Am delighted to mention particularly three loyal associates, with a combined service record of ninety-two years: my secretary, Miss Mary Riordan, the Office



Manager, Miss Gertrude O'Connell, and Miss Esther Rohlfing, in charge of the Addressograph and Supply departments.

The loyalty, devotion and interest of Secretary Arthur H. Hert, Educational Director Leonard Berry, and members of the staff contributed much to our success this year, for which I am deeply grateful.

IT IS A pleasure to submit my 21st annual report, for year ending May 31, 1955. The year has been a successful and most active one.

### Finances

Our financial position continues excellent, with cash on hand and in banks of \$31,933.92, including \$4,946.06 on deposit with the Dominion Bank of Vancouver, B. C. It compares with a balance of \$30,643.06 on May 31, 1954.

Annual payment of \$2,500.00 was made to the Pension Trust and checks issued for estimated conference expenses. Total current assets were \$72,540.79; a year ago \$74,455.39. Inventory of textbooks and supplies amounted to \$20,591.98, as compared to \$17,282.04.

### Membership

Total at year end was 36,522, compared with 35,094 a year ago, a gain of 1,428. New units were organized in twenty-four cities, eighteen in the United States and six in Canada.

Membership in the four leading districts follows:

|             |   |   |       |
|-------------|---|---|-------|
| District 10 | - | - | 8,319 |
| District 8  | - | - | 4,183 |
| District 11 | - | - | 3,995 |
| District 12 | - | - | 3,454 |

The four Districts reporting the largest number of new members follow:

|             |   |   |       |
|-------------|---|---|-------|
| District 10 | - | - | 1,795 |
| District 8  | - | - | 766   |

|             |   |   |     |
|-------------|---|---|-----|
| District 11 | - | - | 617 |
| District 1  | - | - | 443 |

Standing of the four leading Associations and membership of each follow:

|            |   |   |   |       |
|------------|---|---|---|-------|
| Spokane    | - | - | - | 1,122 |
| Pittsburgh | - | - | - | 1,092 |
| Dallas     | - | - | - | 970   |
| Denver     | - | - | - | 902   |

It is the first time since 1949 that Pittsburgh has not finished in first place.

### Credit Schools

Sterling Speake continued his fine work in conducting credit schools in the United States and Canada, as covered in more detail in the report of Educational Director Leonard Berry.

### National Retail Credit Education Week

National Retail Credit Education Week was highly successful, with more cities participating than a year ago. Our new 16 mm movie film "The Good Things of Life—on Credit" was shown on television in many cities, without expense to the Local Associations or Credit Bureaus. It has been enthusiastically received and is a real contribution to consumer education.

### Field Activities

Visited Associations in 33 cities in 14 states, Honolulu, T.H., and Winnipeg and Vancouver, B. C., Canada. Was in the field 75 days, exclusive of traveling time. Attended the meeting of District 11, Bakersfield, California, February 20-21-22, the National Consumer Credit Conference at the University of North Carolina, Chapel Hill, April 3-4-5, meeting of the Legislative Committee in Washington, D. C., April 6-7-8, and meetings of District 9 at Casper, Wyoming, May 15-16-17 and District 10 at Vancouver, B. C., May 19-20-21.

## Supplies Available from National Office

|   |           |           |             |
|---|-----------|-----------|-------------|
| Age Analysis Blanks                                 | . . . . . | \$ 9.50   | ) Per 1,000 |
| Credit Application Blanks                           | . . . . . | 8.50      |             |
| Good Things of Life on Credit (Educational Booklet) |           | 16.00     |             |
| Stickers and Inserts                                | . . . . . | 3.00      |             |
| Soldiers' and Sailors' Civil Relief Act (Booklet)   | . . . . . | .75 each  |             |
| CREDIT WORLD Binders                                | . . . . . | 3.00 each |             |
| N.R.C.A. Electros                                   | . . . . . | .75 each  |             |
| N.R.C.A. Membership Signs                           | . . . . . | .75 each  |             |
| Pay Promptly Advertising Campaign (14 mats)         | . . . . . | 3.50 each |             |

\* \* \* \* \*

**NATIONAL RETAIL CREDIT ASSOCIATION**  
375 JACKSON AVENUE ST. LOUIS 5, MISSOURI





# Debt Adjusters, Are They a Blessing or a Burden?

**B. J. Lenihan**

**President, Time Finance Company, Louisville, Kentucky**

(An address given at the 41st Annual International Consumer Credit Conference, Louisville, Kentucky, June 21, 1955)

**T**HE DISTINGUISHED immediate Past President of the United States Chamber of Commerce, Clem D. Johnston, is authority for the statement that the most revolutionary force in the world today is not, as many people assume, Communism, but the American Free Enterprise System. The difference, of course, between the revolutionary ideology of the power-hungry Communists in the Kremlin and the American Free Enterprise System, as Mr. Johnston so aptly points out, is the diametric difference between evil and good. No system of society since the beginning of mankind has provided so much for so many for so long as has American Free Enterprise, and no system of society has been so generous with its benefactions at home and abroad as has America's brand of Free Enterprise.

This tremendous, dynamic force of American Free Enterprise has largely been maintained because of its willingness to indulge voluntarily in self-analysis and self-purification. It is the historical record of Free Enterprise that it relentlessly searches for a better way of life at lesser effort and lesser cost. Our effort today, therefore, to analyze and consider the merits or demerits of the comparatively recent debt adjuster development in our system, is a manifestation of American Free Enterprise's willingness to self-analyze and self-purify itself.

The title of this talk, "Debt Adjusters—Are They a Blessing or a Burden?" implies that I should give you some prompt, pat, and profound answers and conclusions. However, I have the firm conviction that, in addressing a group as intelligent and experienced as you, the answer to this 64-dollar title question will be so obvious, you will reach your own prompt conclusion. In effect, therefore, I will endeavor to report facts, give some analytical estimates of the situation, and let you reach your own decision.

For a number of years debt adjustment operations have been carried on in a limited way in various sections of the country. However, the debt adjusters' mushroom growth has taken place within just the past two or three years. The cause of this recent and rapid growth of debt adjusters, pro-raters, etc., is certainly easy to understand. It is the old story of an unusual cause having an unusual effect.

As you all know, immediately following conclusion of the Korean conflict, there was a substantial upsurge in consumer credit throughout the country. This was a natural aftermath of the two closely connected periods of World War II and Korea, during which the production of consumer goods was completely, or vastly, curtailed. Individuals and families all over the country almost simultaneously and automatically started to fill long-overdue wants and needs these wars had denied them. Added to this, there have been more new family

units started and more children born the past five or six years than in any similar period in the nation's history. That rolled up still greater demand for consumer goods. Great portions of these consumer purchases were made on credit. Human nature being what it is, a small percentage of these consumer buyers went beyond their means. Then along came the comparatively minor unemployment and letup in general business activity in 1954, and some of these credit buyers found themselves overloaded with obligations.

Let us understand that the pent-up and new needs created by these wars and the tremendous expansion of family units greatly accelerated the use of consumer credit and, in turn, brought about unwise use of it by a comparatively small segment of the public. In a more normal expansion of consumer credit there would have been wiser granting of it and wiser use of it. I want to make particular emphasis of this because certain ivory-tower pundits love nothing better than to criticize the slightest flyspeck on the consumer credit picture.

## **Rapid Expansion of Debt Adjusters**

The other major factor in rapid expansion of debt adjusters is that the field appeared to offer a sure-fire financial return for promoters and "easy-money" boys. Verifying the get-rich-quick allure of the debt adjustment field, the United States even experienced an invasion from Canada. A pro-rate organization driven out of business in Montreal, and finding Canada unhealthful for their operations, immediately started opening offices in New York, Pennsylvania, and Massachusetts.

After all, to enter the debt adjustment field, all the promoters had to do was invest a few hundred dollars in some office furniture, rent low-cost office quarters, start running ads, and they were in a business; a business that would ensure a superb financial return if they were able to attract enough patrons at the high fees charged. So, with an investment of only the most nominal capital, no regulations, no special qualifications or requirements, no state license fees, etc., the "easy-money" boys figured this was a fruitful field. A news story in the *Akron Beacon Journal* covering a recent investigation there disclosed that one of their debt adjustment companies was part of a 30-office chain. Another organization operating in this field was reliably reported to have established a goal of 50 branches, and they are well along toward this objective.

Getting back to the terrific hullabaloo debt adjusters created in their extremely brief existence, and to facilitate your conclusion as to whether they are a blessing or a burden, let us look at the record. To determine their record and their degree of public acceptance, patronage,

and endorsement, we must go to such unbiased organizations and sources as the Better Business Bureaus of America, Bar Associations, the press and the courts. Analyzing their record of impact upon these competent and objective groups, these appear to be the major reasons why debt adjusters have earned such widespread criticism and severe condemnation:

1. *Advertising.* For reasons best known to themselves, debt adjusters have chosen advertising methods which appear to be purposely deceptive.

2. *Cost of Service.* Since they are unregulated, there is no limit to fees they may charge for their service and debt adjusters apparently do not clearly and understandably disclose to prospective customers the amount or method of levying their fees. A careful study has yet to show one debt adjuster advertisement that disclosed the amount or method of charges.

3. *Failure to solve problems of customers.* Careful questioning of creditors fails to show even a reasonable percentage of cases where a customer's credit problems were solved by debt adjusters.

4. *Failure to fulfill agreements.* Many and repeated customer complaints indicate a high percentage of failures by debt adjusters to distribute funds to creditors promptly, and to live up to advertising claims about satisfying creditors and successfully concluding customers' problems.

5. *Customer's debts are actually increased by high charges of debt adjusters—for a service which customer, with self-discipline, could do for himself.* Most debt adjusters take all or a major portion of their initial fees out of first money paid in by the customer. By so doing, debt adjusters brashly exhibit their unwillingness to place themselves and their fees on equal pro-rating par with customer's creditors. In this regard, they completely unmask the pose of sincerity which they present to the public and customers. It seems reasonable to ask how can debt adjusters pretend ability to act as acceptable liaison agents with a customer's creditors when they cynically collect their fees ahead of these creditors and before they perform the service for which they charge the customer? In confirmation of the above major criticism of debt adjustment agencies, let me quote you briefly from various sources and a voluminous file.

First, here's a very pertinent excerpt from a recent issue of the *Consumer Credit Letter*. You all know this is a highly respected and widely circulated periodical in the credit field. Quote:

**The Debt Adjusting Racket Is Flourishing,  
say Better Business Bureaus**

This problem was covered earlier by *Consumer Credit Letter*, but it merits more attention since it is a problem which might result in ill will for the credit industry.

These Adjusters advertise and seek to set themselves up as liaison agents between debtors and creditors. For this, they may charge a fee as high as 25 per cent of the debt outstanding.

Perhaps there are a few good debt adjusters who provide a bona fide service. Actually, it appears, though, that many are collecting for a service which any reputable small loan company will provide with a whole lot more safety and at less cost to the hard-pressed debtor.

Recently, the St. Louis Better Business Bureau queried 600 of its members, asking for their opinion of debt adjusters. Ninety per cent reported that they do not think debt adjusters perform any useful service. Seventy per cent said they would not even agree to accept any settlements of debts from an adjuster.

Other Better Business Bureaus around the country report they are flooded with complaints of debtors being bilked by so-called debt adjusters.

Now let us look at a few of the lurid advertising statements and claims with which debt adjusters present their service to the American public. In their cure-all claims, they put the old-time and long-departed patent medicine men to shame. Here are just a few of them briefly and quickly:

"To anyone in debt. Divorce your creditors. Group your bills with us, with payments that fit your pocket pocketbook."

"Bills worrying you? Pay off all your debts with one weekly payment you can afford. No co-signers—no security—no credit references. Debt coverage up to \$3,000. Bring us your bills. We'll arrange to satisfy your creditors' demands and get you out of debt. Not a loan company."

"Get relief from bill collectors. But you must act now. We can help you even though you have been turned down by everyone else. No amount too large—no problem too great."

"Debts—Debts. Don't be a debt slave. You need our service. Our plan stops debt worries. See us now. Our approved plan guarantees a credit service."

Now, there is a confusion and profusion of advertising claims, apparently aimed solely at the gullibility and ignorance of readers. Such incredulous advertising pretends debt adjusters have some secret and painless panacea for getting people out of debt. Note that none of these ads states specifically that the debtor will pay a substantial fee for the service rendered him. There can be little wonder then at the almost universal criticism and strong condemnation that have been made of debt adjuster operations.

**Comments on the Subject**

Let us take a look at what some of the Better Business Bureaus around the nation have to say on the subject. Here is a very pointed comment from the Cleveland Better Business Bureau publication of April, 1954. The headline asks perhaps the sharpest and clearest question regarding all debt adjuster operations. It reads: "Can You Cut Your Debt by Adding to It?" The article then goes on to state:

It is hard to figure out how a man \$1,000 in debt is going to be better off by signing an iron-clad contract obliging him to pay an extra \$180 before he can begin reducing his debt.

However, this is the financial side of the debt reduction plan offered by the Financial Budget System of Cleveland. This outfit advertising in the Personals columns of newspapers offers to consolidate an individual's debts and negotiate with his creditors for gradual payment of the amount due. It charges a contract service fee equal to 18 per cent of the total debt. One man had total debts of \$765. His total fee to Financial Budget was to be \$137. Between October 9 and February 8, he paid \$45 every 2 weeks, or a total of \$450.

While he was paying \$450 to Financial Budget, it was paying his creditors \$179—holding out \$271. Under the contract this customer signed, there is no provision under which the debt adjuster agrees at any specified time to disburse to creditors the full amount deposited with them. It also says that remuneration of the company shall be a first charge against the client.

People who come to the Better Business Bureau often think Financial Budget or other debt adjusters are going to lend them money to pay their debts. But they lend nothing and guarantee nothing. They merely agree to negotiate with the client's creditors. Clevelanders can obtain the same kind of service free from the Cleveland Municipal Court.

Here is a quote from the *Bulletin of the Kansas City Better Business Bureau* of October 6, 1954:

Almost everybody owes money and this condition makes ripe pickings for the debt pro-raters—the firms which make a charge (generally a substantial one) in addition to a \$2.00 or \$3.00 a month bookkeeping fee for paying off a debtor's obligations with his own money.

Some complainants have reported to the Bureau they were worse off after securing the services of the debt pro-raters since they paid out their money—and the debt pro-rater failed, or delayed, paying their creditors as per original understanding. Numerous persons state they were lured to the debt pro-

rated by radio advertising which painted a rosy debt-free picture. This radio advertising stated somewhat the following form:

"Stop borrowing from Peter to pay Paul. You can do this only so long—then Peter becomes very pressing when you can't pay him as promised. We will pay your bills for you. Let us carry the ball for you until you are free of that debt worry."

The Kansas City Bureau then lists some complaints received. Here is one of them:

Because my creditors will not accept payment from this adjuster, I asked them to refund my money as they had paid no bills for me. The debt adjuster refused to return any of my money and yet had not paid any of my bills. We have since paid the bills ourselves and the debt adjusters have issued a garnishment notice against me.

Another complaint:

My credit was nearly ruined because of the way this outfit handled my payments. Only after I took over my own payments was I able to save my credit standing.

They failed to live up to their agreement, causing grave distress and black marks on our credit. They did not notify our creditors soon enough, causing my check to be held up. Therefore, we could not make our house payment or buy anything to eat.

Their radio announcements led me to believe by turning over my bills to their firm, they would see that the creditors were satisfied.

My problem now is that I am receiving threatening notices from the debt pro-rater claiming I owe them money on their contract.

The Kansas City Bureau in this issue finally warns the public against accepting advertising of debt pro-rate concerns which promise an easy road out of debt. Here is another informative item from the Better Business Bureau of New York:

Following decision of a New York State Supreme Court Judge in Buffalo, which held that co-called debt pooling companies do not fall under the jurisdiction of the New York State Department of Banking, a number of such companies have recently begun operations. The advertising of such companies has contained such terms as "Bring all your debts to us—we will pay your bills," etc.

### **New York Warning to Users of Pooling Services**

The New York Better Business Bureau follows up with a warning to persons contemplating use of debt pooling services as follows:

An agreement by a debtor to use such a service does not eliminate his obligation to the original creditors. A creditor is not obligated to accept or agree to an arrangement offered by such a service. Some creditors may demand additional finance or interest charges if their accounts are not paid according to original terms. *The fee for such debt pooling service is usually required in advance.* If creditors refuse to accept the debt pooler's arrangements, *there is frequently no provision for refund of the service fee paid by the debtor.*

In connection with the arrest of officials of a debt adjusting firm in Boston the manager of the Boston Bureau wrote the District Attorney as follows. I am quoting from the *Boston Herald* of August 28, 1954:

The Better Business Bureau recognizes and appreciates your prompt and effective action to protect the public from the vicious and unscrupulous promoters of unfair debt pooling companies. We have never run across as many pitiful cases of preying on the public misery and difficulty than in this scheme where the individual takes straightforward action to solve his debt problem only to discover he has more debts. Your vigilant action has national significance. You can take satisfaction in knowing that this scheme has cropped up in many large cities of the country in the last few months.

With regard to the interest of Bar Associations, in the activities of debt adjusters, here is a quotation from the *News Advertiser* of Flint, Michigan. The headline reads, "Bar Acts to Stamp Out Shady Budgeting Coun-

selors—Operators Thrive on Destitution, Lawyers Charge." The news story then goes on to state:

A move to stamp out budgeting firms operating in Flint which charge exorbitant fees for their services and assume the role of attorneys is under way in the Genesee County Bar Association. These firms make financial hay at the expense of persons steeped in debt.

"It is a bad situation and growing worse," the head of the Bar Association commented. Among firms which the Bar Committee will investigate is one which, in its contract, tells its client that "it is his true and lawful attorney-in-fact." The head of the Bar Association branded this statement as misrepresentation.

### **Complaints From Destitute Families**

The news story then goes on to list a number of complaints from destitute families which have been duped by debt adjusting firms.

The press throughout the nation has joined the battle against the operations and misrepresentations of the debt adjusters. As with the Better Business Bureau reports, time does not permit reference to more than a few of the newspaper exposés that have been and are being carried on.

Here is a sharply analytical story from the *New York World Telegram* of April 6, 1955. The headline reads, "Debt Racket Brings Grief to Borrowers." Here are only a few quick quotes from this news story:

Worried about your debts? Is that you? Then, friend, you are just what the credit racketeers are looking for. They'll be delighted to take your financial troubles off your back, they say. But if you take a hint from the files of Attorney General Javits and the Better Business Bureau, you will keep right on doing your own worrying.

The credit boys call themselves by a variety of names—debt counselors, credit services, pro-raters, debt adjusters—but all promise the same panacea: to stop your debt worries by consolidating your bills so you can pay them at terms you can afford.

The Attorney General has announced that he is investigating a host of complaints. Better Business Bureaus' files are also bulging with indignant reports from unhappy debtors. The Attorney General said, "The complaints allege that the public is led to believe that a debtor's financial worries will be over if he puts his affairs in the hands of these concerns. However, it is indicated the debtor has his burden increased without any lessening of his financial problems in these operations."

Another publication, the highly respected *American Banker*, bluntly warned recently:

A new racket has developed for gouging the American public, and this one may be practiced without putting up a dime. All the debtor is asked to do is put his bills in the adjuster's hot hands and then pay as much as he can out of his salary toward eliminating them. The debt adjuster, in turn, is supposed to take the heat off him by appealing to his creditors and setting up a schedule of payments. For this the debt adjuster charges a fee up to 15 to 25 per cent of the debt—minimum \$30.00—and in addition a monthly book-keeping fee or other special charge. The adjuster doesn't make any payment until the customer pays the money. But, here's the *snapper*: Before any creditor is paid, the adjuster first takes his cut.

Indicating concern of the courts regarding the misrepresentations and operations of debt adjusting firms, a few months ago all Chicago papers carried lengthy and repeated stories about the arrest and indictment of officials of a debt adjustment firm in that city. The *Chicago Tribune* of February 3, 1955, carried a detailed story on the indictment returned before Federal Judge John P. Barnes, charging fraud by radio against the adjustment firm. The Assistant United States District Attorney said the company advertised over radio stations and by mail that persons in debt could consolidate their debts through this company which would then be the



sole creditor. The United States Attorney said representations were made that the plan would get people out of debt and protect their credit record. People who took up the offer, according to the government attorney, continued to receive letters from creditors advising their accounts were unpaid.

We could go along for hours and even days presenting a voluminous file of Better Business Bureau reports, Bar Association studies, newspaper investigations and stories, court indictments, comments of District Attorneys and other public officials regarding the unconscionable operations of these professional debt adjusters over the period of the past year or two. However, I think enough has already been presented to enable you to reach a definite decision in your own minds as to whether debt adjusters are a blessing or a burden.

It may well be that there are isolated instances in which professional debt adjusters have operated in the welfare of their customers and the community at fees that were not extortionate. But, taking their operating record as a group, it seems they thoroughly deserve the severe condemnation heaped upon them by the unbiased organizations and groups to which I have referred in this presentation.

It is the considered opinion of the vast majority of informed people consulted on the problem, that there is absolutely no justification for the existence of professional debt adjusters! One major reason they advance for this view is that credit granters generally are always ready and willing to adjust any debtor's payments to meet changed circumstances. The reasons for this are quite obvious. Credit granting by its very nature involves to a far greater degree than any other form of business enterprise the gaining and retention of customer—and public—good will. Credit granters would fade from existence rapidly if they lacked the human touch, and if they failed to meet fully their moral and humane responsibilities in the community. Of course, there are some ne'er-do-wells in credit granting. There are ne'er-do-wells among the clergy, educators, and all professional

and business enterprises—because there is no complete perfection this side of heaven. But credit granting, which has brought so much of the good things of life and has played by far the major role in elevating America's standard of living to the highest in the history of humanity, could not have grown and continued to grow as it is today if it lacked the human touch and a high sense of moral values.

Going back to the principle of American Free Enterprise acting as its own self-purifying agent: what can be done to eliminate the burden of debt adjusters, if that be your conclusion? Well, in your position as leaders or agents of the credit granters of your communities, you can—working with other groups in your cities and towns—do much to expose the evildoers in this debt adjustment racket. And it is your obligation and responsibility to the continued health of the credit granting industry of America, and to the general welfare of your communities, that you take such action.

And, further, where the need is justified, you can and should set up debt adjustment, or pro-rating, services within your own credit associations. This is already being done in a number of your associations throughout the country. Within the past week or so I have had some correspondence with J. D. MacEwan, manager of the Retail Credit Association, Portland, Oregon. He and his group have been operating for several years a pro-rating service within their association for overburdened debtors. The same can and should be done where needed in other credit associations throughout the country. I am sure that, under the leadership of Mr. MacEwan and other Association executives who are performing a similar service, you can develop a standardized, efficient, fair, and constructive service *at reasonable cost* for debtors.

I am completely confident that when and if you take these two steps—

1. Expose the evildoers among the professional debt adjusters;

2. Set up a fair and constructive competitive adjustment service

—the professional debt adjuster will pass rapidly and completely from the scene of American business. The facts presented here today thoroughly warrant that action and result.

In conclusion, may I take just a moment to pay tribute to the superb job you and your groups are performing daily in keeping the delicate, highly complex and vastly beneficial machinery of our free enterprise economy running smoothly and in high gear. Your efforts in collecting and passing upon vital credit information that speeds successful movement of huge volumes of merchandise from producer to consumer is a truly mammoth and too frequently unrecognized achievement. But I think, of almost equal importance, your collateral efforts in educating all Americans on the indispensable value of a good credit record have contributed immeasurably in raising the moral and ethical standards of our people.

It is my company's experience over a 23-year period, and in the making of well over one million individual loans, that a citizen's value in all phases of his community life is in virtually direct ratio to the quality of his credit record. In your work, you are contributing to good citizenship. My hat is off to you. Keep up the good work. ★★★

**MEMBER**



National Retail  
Credit  
Association

## AN UNUSUAL STICKER

**THIS MOST UNUSUAL STICKER** has been designed for use by members.

They should be used on letter-heads of the credit department and on statements on which a previous month's balance has been brought forward.

**THIS STICKER** carries the prestige of the National Retail Credit Association and the slogan, "Guard Your Credit As a Sacred Trust," is an excellent educational message. Order a supply today.

**SHOWN ABOVE**, actual size, they are printed in the National's colors, bronze blue on gold gummed paper.

**Price, \$3.00 per thousand**

**NATIONAL RETAIL CREDIT ASSOCIATION**  
375 Jackson Ave. St. Louis 5, Mo.



# Louisville Conference Notes

## MEMBERSHIP AWARDS—1954-1955

\$100.00 Each

1. Local Chairman—J. E. R. Chilton, Jr., Merchants Retail Credit Association, Dallas, Texas.
2. State Chairmen—E. F. Brandt, Old National Bank, Spokane, Wash.  
Pat Strong, Puget Sound National Bank, Tacoma, Wash.
3. District Chairman—Hugh Tallent, Charles F. Berg Co., Portland, Ore.

## Tie Bars—Outstanding Membership Performance

E. L. Goodman, Burger-Phillips Co., Birmingham, Ala.  
W. V. Beddow, Porter Clothing Company, Birmingham, Ala.

## Twenty-five Leading Associations

Listed here are the twenty-five leading retail credit associations, arranged according to number of National members:

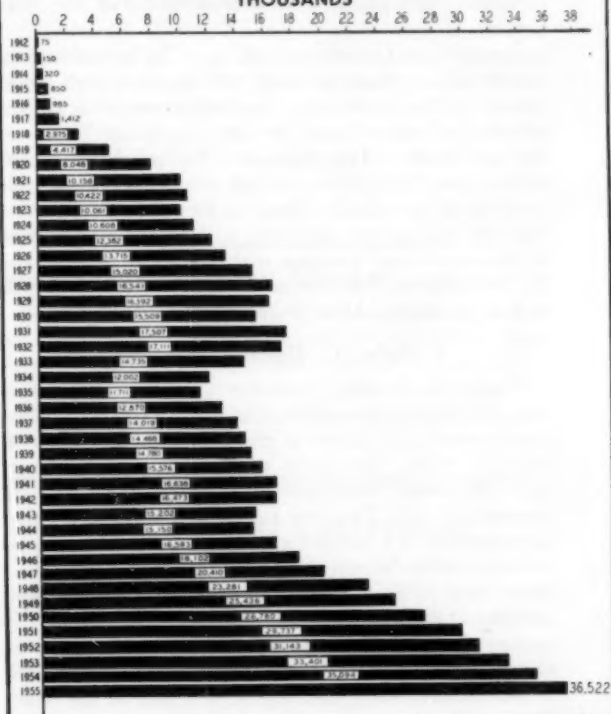
| CITY AND STATE           | STAND-<br>ING | NATIONAL<br>MEMBERS |
|--------------------------|---------------|---------------------|
| Spokane, Washington      | 1             | 1,134               |
| Pittsburgh, Pennsylvania | 2             | 1,092               |

|                                     |    |       |
|-------------------------------------|----|-------|
| New York, New York                  | 3  | 1,070 |
| Dallas, Texas                       | 4  | 972   |
| Denver, Colorado                    | 5  | 902   |
| Seattle, Washington                 | 6  | 890   |
| Portland, Oregon                    | 7  | 882   |
| Kansas City, Missouri               | 8  | 789   |
| San Francisco, California           | 9  | 789   |
| Baltimore, Maryland                 | 10 | 779   |
| Fort Worth, Texas                   | 11 | 727   |
| Vancouver, British Columbia, Canada | 12 | 702   |
| Washington, D. C.                   | 13 | 663   |
| Montreal, Quebec, Canada            | 14 | 626   |
| Los Angeles, California             | 15 | 566   |
| St. Louis, Missouri                 | 16 | 566   |
| Tacoma, Washington                  | 17 | 532   |
| Springfield, Massachusetts          | 18 | 458   |
| Wichita, Kansas                     | 19 | 401   |
| Fresno, California                  | 20 | 394   |
| Oakland, California                 | 21 | 359   |
| Minneapolis, Minnesota              | 22 | 348   |
| Beaumont, Texas                     | 23 | 311   |
| Port Arthur, Texas                  | 24 | 308   |
| Salt Lake City, Utah                | 25 | 291   |

## Membership Progress 1912-1955

### NATIONAL RETAIL CREDIT ASSOCIATION

THOUSANDS



## Associations Reporting More Than 100 Members

|                           |     |
|---------------------------|-----|
| Dallas, Texas             | 252 |
| Montreal, Quebec          | 229 |
| Fort Worth, Texas         | 198 |
| Portland, Oregon          | 167 |
| Vancouver, B. C.          | 166 |
| New York City             | 165 |
| Spokane, Washington       | 149 |
| San Francisco, California | 145 |
| Denver, Colorado          | 143 |
| Pittsburgh, Pennsylvania  | 136 |
| Seattle, Washington       | 132 |
| Kansas City, Missouri     | 129 |
| St. Louis, Missouri       | 106 |

## New Units Reporting More Than 25 Members

|                             |    |
|-----------------------------|----|
| Halifax, N. S., Canada      |    |
| Wilmington, N. C.           |    |
| Timmins, Ont., Canada       |    |
| Lufkin, Texas               |    |
| Orange, Texas               |    |
| Ponoko, Alberta, Canada     |    |
| Blackfoot, Idaho            |    |
| Stettler, Alberta, Canada   |    |
| Lethbridge, Alberta, Canada |    |
| Marysville, Wash.           |    |
| Glasgow, Montana            |    |
| Augusta, Georgia            |    |
| Total New Units             | 24 |
| U. S. A.                    | 18 |
| Canada                      | 6  |

## New Officers and Directors

The new officers and directors-at-large elected at the 41st Annual International Consumer Credit Conference of the National Retail Credit Association, held in Louisville, Kentucky, June 20-23, 1955, are: President, Kaa F. Blue, Foundation Plan, Inc., New Orleans, Louisiana; First Vice President, Wimberley C. Goodman, Reynolds-Penland Company, Dallas, Texas; Second Vice President, Eldon L. Taylor, Glen Bros. Music Company, Ogden, Utah; and Third Vice President, J. C. Gilliland, Pullman Trust and Savings Bank, Chicago, Illinois.

Directors-at-large include: R. L. Bruchey, The Hecht Company, Baltimore, Maryland; Harold P. Evans, T. Eaton Company, Vancouver, British Columbia, Canada; Charles D. Reno, Scruggs-Vandervoort-Barney, St. Louis, Missouri; and H. L. Hulme, Aluminum Goods Ltd., Toronto, Ontario, Canada.

District Directors ratified at the Conference include: 1. Bernard Eyges, Leopold Morse Company, Boston, Massachusetts; 2. Edward Gallagher, Lit Brothers, Trenton, New Jersey; 3. Grover C. Ritchie, Citizens Bank, Charlotte, North Carolina; 4. Mrs. Jo Hubbard, Sterchi Brothers, Chattanooga, Tennessee; 5. Arthur R. Peterman, The Forest City Publishing Company, Cleveland, Ohio; 6. William F. Streeter, Boutell's, Minneapolis, Minnesota; and 7. Eldon L. Jordan, Oklahoma Gas & Electric Company, Fort Smith, Arkansas.

## Prompt Pay Advertising in St. Paul

One of the cities in the United States which is doing an excellent job in Prompt Pay advertising campaign is St. Paul, Minnesota. Below is shown one of the billboards used in St. Paul together with William Benson, Credit Manager, Schunemans, one of St. Paul's leading department stores, on the left, and Bernard J. Duffy, Manager, The Credit Bureau of St. Paul, which is sponsoring the campaign in cooperation with the St. Paul Retail Credit Association. St. Paul has a budget of \$7,000.00 a year for prompt pay advertising which is spent on billboards, newspaper and radio.



## Annual Meeting in Seattle

Joe E. Moore, credit manager, Diesel Oil Sales, was elected president of the Retail Credit Association of Seattle at a dinner meeting Wednesday, June 8, 1955,



Joe E. Moore

at the Stewart Hotel. Other officers elected were Robert D. Hannah, The Bon Marche, Vice President; Paul Hungerford, Richmond Highlands Br., Seattle Trust & Savings Bank, Treasurer; Myron T. Gilmore, Seattle Credit Bureau, Secretary. New directors elected were Zeta Pierson, MacDougall-Southwick, and Lyman Buzard, Frederick and Nelson.

Holdover directors with another year to serve are John V. Kingsley, West Seattle National Bank, and Frank W. Walkup, Tidewater Associated Oil Company.

The Seattle Association, with a membership of over 900, is one of the largest in the National Retail Credit Association. During the past year it has made notable progress in the field of public education. A four-month Pay Your Bills Promptly advertising campaign was run in the newspapers. Two television programs were sponsored by the Association. One was presented by Professor Harry E. Blythe, Professor of Credit and Finance at the University of Washington and Educational Advisor to the Association. The other was a dramatization of the value of good credit with comments and interpretation. All participants were members of the Association.

Another notable advance was made in interesting the Seattle School Board in credit education for high school seniors. The Association is making available to the schools text material and the pamphlet *Good Things in Life on Credit*. The Association has purchased a copy of the new N.R.C.A. movie and this is also being made available to the schools. Looking forward to the coming year, the two major objectives will be the continuation of the educational program with the public schools and the planning for the District 10 Conference which will be held in Seattle, May 19-22, 1956.

## Charles C. Dudley Honored

Charles C. Dudley, Executive Vice President, Charlotte Merchants Association, Charlotte, North Carolina, was honored at a dinner at the Charlotte City Club on May 27, 1955. The event was sponsored by the Charlotte Merchants Association and marked the tenth anniversary of Mr. Dudley's service as the rapidly growing organization's administrative executive. Leaders in activities of the Merchants Association were hosts at the dinner and E. K. Goodson, president of the association, presided. It was attended by prominent leaders in various phases of Charlotte representing top management of business firms in addition to high government officials. It was an outstanding honor paid to a man of fine qualities.

### High School Essay Contest

Kenneth M. Fox, Manager, Credit Bureau of Port Huron, Port Huron, Michigan, announces the successful completion of the 1955 Credit Education Program for the graduates of local high schools. Talks were given before the senior classes of local high schools as part of this program. Students were invited to participate in an essay contest. The winner was Virginia Wittliff and her winning entry was a poem titled, "Credit—What It Means to Me."

Six hundred students took part in this educational program and the results are bound to be far-reaching in the betterment of credit conditions generally.

### B. C. Gilbert New C.M.D. Chairman

B. C. Gilbert, Credit Manager, L. S. Good & Company, Wheeling, West Virginia, has been elected Chairman of the Credit Management Division of the National Retail Dry Goods Association at a recent meeting of that organization held in Chicago. He was formerly a director of the National Retail Credit Association and was at one time President of District 12.

### Charles W. Remele

Funeral services were conducted recently for Charles W. Remele, Manager, Santa Barbara Credit Bureau, Santa Barbara, California, and Secretary, Associated Credit Bureaus of California. During his early career he was Assistant Credit Manager, Barker Brothers, Los Angeles, California. He was a loyal member of the National Retail Credit Association and attended many of our district and International Consumer Credit Conferences. He is survived by his widow, a son, a daughter, and two sisters to whom we extend our deepest sympathy.

### Clarence B. Parks

Clarence B. Parks, Manager, Palo Alto Merchants Association and Credit Bureau, Palo Alto, California, passed away May 14, 1955, after several months' illness. Mr. Parks was an active member of the Associated Credit Bureaus of California and for many years a member of the National Retail Credit Association. Surviving are his widow, a daughter, a sister, and a nephew to whom we extend our deepest sympathy.

### Position Wanted

Executive Credit Manager with many years of finance company and retail store experience desires to make change. Interested in supervision of chain operation. No objection to traveling. Now located in Midwest but willing to locate anywhere. Box 7555, The CREDIT WORLD.

### Next Annual Conference

The 42nd Annual International Consumer Credit Conference of the National Retail Credit Association, Associated Credit Bureaus of America and the Credit Women's Breakfast Clubs of North America will be held at the Hotels Jefferson and Statler, in the city of St. Louis, Missouri, June 18, 19, 20 and 21, 1956.

Find out who really gets top results at lowest final cost  
Write.

### For proof and Low-Cost Test-Plan! Compare!

**29<sup>th</sup>** success-year with Abraham & Straus; Foley's; Jordan Marsh; May Co.; and other top stores, large & small.

For ace Akron store, our unique mdse.-fashion approach opened

**11,000 NEW CHARGE ACCTS.**

for **50¢** each

**3000** New Accts. opened for Goerke's, N. J. bought during the first year alone **\$301,000**

**WE REVIVE 50% to 70% INACTIVES**

**3725** (50%) Inactives in famed Texas store bought within six months, at 1/2% cost **\$241,000**

LESTER **brozman** COMPANY  
160 FIFTH AVENUE, N. Y. C. 10

### Wanted to Buy

Established Credit Bureau with Collection Department. Or would consider lease with option to buy, or would consider buying part of Bureau as partner or manager. Give full details in first reply. Box 7551, The CREDIT WORLD.

### Positions Wanted

CREDIT MANAGER with 19 years of experience in credits, collections, office managing and accounting available to department or furniture store. Would also consider partnership in Credit Bureau. Will relocate. Box 7552, The CREDIT WORLD.

CREDIT MANAGER with 16 years of experience, now employed, B.A. degree, desires to locate on East Coast but will consider other offers. Experienced in installation and operation of cycle billing and can assume complete responsibility in all phases of credits and collections. Box 7553, The CREDIT WORLD.

CREDIT MANAGER. Five years' experience in both Department Store and Credit Bureau operations. Bachelor of Science Degree in Business Administration. Background in credit granting, collections, and credit sales promotion. Best references. Will go anywhere. Box 7554, The CREDIT WORLD.

Credit Supervisor, Credit Manager in retail and mail order credits; 19 years' executive experience. Available to furniture, department or appliance store or credit bureau. Will relocate. Box 6551, The CREDIT WORLD.



# CREDIT DEPARTMENT

## Letters

LEONARD BERRY

LAST MONTH'S article on *credit department salesmanship* caused one member to comment to this effect, "You tell us that credit department salesmanship means keeping credit customers pleased and happy. That is good advice and I agree with you in principle. But surely you know, in collection work especially, it is sometimes necessary to be stern and blunt. One cannot always be meek and mild . . . unpleasant letters must sometimes be written."

Perhaps other members had similar reactions, so it might be worth while to discuss salesmanship in collections more in detail. The collection correspondent faces trying situations. All is definitely not "sweetness and light" in collection work—indeed, quite the reverse. Debtors are often mean and rude. Promises are solemnly given; only to be lightly broken. Assurances of payment, seemingly sincere, are not always fulfilled. Debtors develop great facility in falsehoods. All this means that severe pressures are exerted on the collection correspondent to make him want to "let the debtor have it." That usually is a serious mistake. Self-control is essential in successful collection work.

Credit department salesmanship requires that problems be accepted as challenges. The objective is to protect the interests of the store and at the same time maintain the friendship of the customer. One experienced collector says he tries never to lose faith in the debtor's *will-iness* to pay. He gets results by keeping his account constantly before the debtor, so that when he has the money the debtor *thinks of him first*. This collector has the *will to collect*, a powerful psychological weapon to help him impress on the debtor the inevitability of payment. He also has faith in people and, because of that, people tend to have faith in him. Courteous persistence will often bring results when harsh pressure will cause the debtor to refuse stubbornly any cooperation whatever. It is better to work *with* human nature than *against* it; in fact, it is absolutely necessary.

Most customer resentment about collection letters comes from the words used in them rather than from the fact that payment of a just account was requested. It is so easy to slip into the habit of using words and phrases that imply the debtor is wilfully seeking to evade payment. For greater success the collector should give the impression that he is willing to be a *cooperator* with the debtor in finding a mutually satisfactory solution to the problem that concerns them both, and that he is confident such a solution can be found. When personal animosity develops, all hope of friendly cooperation evaporates. There are words that ruffle people and there are words that smooth them! Why not use the latter?

Vast sums are spent by stores and firms in the effort to build customer good will. This enormous investment

can be rendered worthless by thoughtless, inconsiderate customer contacts. No matter how modern the building, how excellent the merchandise, how impelling the advertising, in the final analysis, customer like or dislike depends on the one person with whom the customer comes into contact at the particular moment. The costly chain of good public relations often snaps at its weakest point, the individual relationship of one employee with one customer.

And, because customers will more readily forgive and forget aggressive treatment in the personal contact than they will in the written message, a special responsibility rests on correspondents to be careful of what and how they write. In letters, there are the cold words, the peremptory demands, the implied accusations, to be read over and over again with mounting resentment.

It is entirely possible to be straightforward and perhaps even stern in collection letters and at the same time make the spirit of service shine through the words. To be sure, this is not simple or easy. But then, what phase of credit and collection work is easy?

### This Month's Illustrations

Our letter illustrations this month are all taken from recent issues of the N.R.C.A. Effective Credit and Collection Letters Service. Two of the letter illustrations deal with collections and the other two with credit sales promotion.

Illustrations Numbers One and Two are designed for use in installment account collections. The first step in the collection process should be the mild, impersonal sticker or printed notice. If no response, another sticker or printed notice. Now comes the time for the *personal* follow-up. Letter Number One should be followed in ten days by Letter Number Two.

Illustrations Numbers Three and Four can be used, with slight adaptation, by any store or firm in credit sales promotion. These are intended to be *personalized* letters. The card should be attractively printed and a stamped addressed envelope included. These letters are especially good for soliciting responsible cash customers. Members are cordially invited to write to the National Office for details of our Effective Credit and Collection Letters Service.

### Your Cooperation Is Invited

There are two ways in which members can be of great assistance in adding to the interest and effectiveness of this CREDIT WORLD feature: first, by sending to the National Office copies of their credit and collection department letters and forms for possible reproduction and comment; and second, by suggesting timely and pertinent topics for discussion. We hope that you will do both.

June 15, 1955

Mrs. John C. Customer  
000 Main Street  
Your City, Your State

①

Dear Mrs. Customer:

You have been reminded in a friendly way about your obligations concerning your instalment account with us. Now it is necessary for us to write you this personal letter.

The terms of payment were carefully explained to you when the agreement was signed. You told us that the amounts were agreeable, and that you could meet them on the due date.

What has happened?

Please come in or telephone. Perhaps we can help you.

Cordially yours,

MANAGER - BUDGET PLAN DEPARTMENT

June 15, 1955

Mrs. John C. Customer  
000 Main Street  
Your City, Your State

③

Dear Mrs. Customer:

This is a "thank you" note for your confidence in our store. Your patronage and your friendship have been a matter of gratification to us.

Now...to make your shopping even more pleasant and convenient we would like to offer you the helpfulness of a charge account.

There are so many advantages to having a charge account. Whether you shop in person or by telephone or mail, you will find that your account expedites your purchases, insures complete accuracy in deliveries and enables us to give you that extra measure of interested and competent service.

And...it is so easy to open an account with us. Just complete and mail this little card. You will hear from us very quickly that your account is ready to add to your shopping satisfaction.

Cordially yours,

MANAGER OF CREDIT SALES

June 15, 1955

Mrs. John C. Customer  
000 Main Street  
Your City, Your State

②

Dear Mrs. Customer:

Your account has been placed in our special collection follow-up file.

There is evidently some good reason why you have not made your payments as you agreed. It would help us in determining the next step if we knew that reason.

It is important that you get in touch with us immediately. You are assured of our full cooperation but we must have yours too.

Cordially yours,

MANAGER - BUDGET PLAN DEPARTMENT

June 15, 1955

Mrs. John C. Customer  
000 Main Street  
Your City, Your State

④

Dear Mrs. Customer:

Remember that little card we sent you some time ago? That was to be your acceptance of our invitation to become a charge account customer of ours.

We looked for it in every mail but, alas, it was not there.

The store is brim-full of new and exciting seasonal merchandise. Our salespeople are eager to serve you.

What better time than now to open a charge account?

Here is another little card. Won't you please mail it today?

Cordially yours,

MANAGER OF CREDIT SALES

# LOCAL ASSOCIATION *Activities*



## District Ten at Vancouver

At the annual meeting of District Ten held at Vancouver, British Columbia, Canada, May 21-24, 1955, the following officers and directors were elected: President, Hugh Tallant, Charles F. Berg, Inc., Portland, Oregon; First Vice President, Verne Rasmussen, Evergreen Cemeteries, Seattle, Washington; Second Vice President, William B. Harris, Pacific Supply Cooperative, Walla Walla, Washington; Secretary-Treasurer, Avadana Cochran, Credit Bureau of Kitsap County, Bremerton, Washington; and Field Secretary, Walter A. Jensen, Portland, Oregon. National Director is Chalmer Blair, Braley & Graham, Portland, Oregon, and Alternate National Director is J. D. Hartup, Standard Oil of California, Spokane, Washington. Directors: Earl Bloomquist, Union Oil Company, Great Falls, Montana; Edward F. Brandt, Old National Bank, Spokane, Washington; George Marshall, National Bank of Commerce, Seattle, Washington; Harold Evans, T. Eaton & Company, Vancouver, British Columbia, Canada; Mrs. Helen Lybold, Weinberg's, Inc., Butte, Montana; Frank Brenand, Woodward's, Ltd., Edmonton, Alberta, Canada; Leonard S. Medlock, Scofield Company, Tacoma, Washington; Wallace H. Ross, Associated Sand & Gravel Company, Everett, Washington; William R. Brunkel, Robert Brothers, Sales, Oregon; Edward McClure, British Columbia Electric Company, Victoria, British Columbia, Canada; Kenneth W. Reid, McCall Frontenac Company, Calgary, Alberta, Canada; and Ray Spanier, Security Trust & Savings Bank, Billings, Montana.

## Edmonton, Alberta, Canada

The Credit Granters' Association of Edmonton, Edmonton, Alberta, Canada, has elected the following officers and directors for the ensuing year: President, James Barber, Niagara Finance Co., Ltd.; Vice President, Thomas Collins, Campbell's Furniture, Ltd.; and Secretary-Treasurer, C. H. Williams, Credit Bureau of Edmonton. Directors: Fred Horen, Imperial Oil, Ltd.; Margaret Duncan, McArthur's Ladies' Wear; George Oldaker, Hayward Lumber Co., Ltd.; R. A. Ireland, Bank of Montreal; C. D. Murray, Holt Renfrew & Co., Ltd.; Gerald Hare, Northern Nash, Ltd.; and Mrs. Margaret Burroughs, Credit Women's Breakfast Club.

## Baltimore, Maryland

At its annual meeting the Retail Credit Association of Baltimore, Baltimore, Maryland, elected the following officers and directors: President, Robert B. Thomas, Hutzler Brothers Company; Vice President, Theodore E. Marr, Stewart & Company; Treasurer, Martin Roth, M. Greenbaum & Sons; and Secretary, Charles F. Roycroft, Credit Bureau of Baltimore. Directors: Henry L. Ballard, Isaac Hamburger & Sons; Robert L. Bruchey, The Hecht Company; Fred W. Ellinghaus, The May

Company; Ellis A. Epstein, Hochschild, Kohn & Company; Wilbur Debus, Consolidated General Electric Light and Power Company; Herman A. Dorsch, N. Hess' Sons; Bernard W. Huffman, C. Hoffberger Company; Eugene J. Sapp, Wetzler's; and Robert L. Carmichael, Wonder Clothes Company.

## Lafayette, Indiana

The new officers of the Greater Lafayette Credit Association, Lafayette, Indiana, are: President, William Ryan, Reifer's Furniture Company; Vice President, Andrew Englert, Kessener Lumber Company; Secretary, Herman M. Messing, The Credit Bureau; and Treasurer, Mrs. Jeanne Pitner, Sears, Roebuck and Company. Directors: Cecil Fickle, Peter Anderson Company; William Watt, Rose Glen Dairy; and Ned Wilding, Sears, Roebuck and Company.

## Sioux City, Iowa

The new officers of the Sioux City Retail Credit Association, Sioux City, Iowa, are: President, Leonard Corkhill, Martin's; Vice President, Lawrence Slotsky, The Credit Bureau; Secretary, Alta Donlen, First National Bank; and Treasurer, Tillie Samore, Montgomery Ward.

## Arkansas City, Kansas

At the annual meeting of the Arkansas City Retailers Association, Arkansas City, Kansas, the following officers and directors were elected: President, Ben Wilson, J. C. Penney Company; Vice President, Earl Newman, Newman Dry Goods Company; Treasurer, Lee Hefflin, Home National Bank; and Secretary, Anson C. Cox. Directors: Ernest Casey, Arkansas Furniture Company; Keith Burton, Wright-Burton Hardware; Lee Circle, Circle Grocery; George Gardner, Gardner Brothers Insurance; Hugh Metzler, Metzler Jewelry; Earl Owens, Owens Furniture; and Victor Bryant, Bryant Hardware.

## Duluth, Minnesota

At the annual meeting of the Associated Retail Credit Men of Duluth, Duluth, Minnesota, the following officers and directors were elected: President, C. Roger Emerson, Economy Supply Company; Vice President, Eleanor R. Wilson, Anderson Furniture Company; Treasurer, Mrs. Helen Harrison, Floan-Leveroos-Ahlen Company; and Secretary, J. H. Coad, Retail Credit Association of Duluth. Directors: Walter Olson, Minnesota Power & Light Company; Leonard C. Husband, Wahl's Department Store; and Eino A. Leppala, Arrow Chevrolet Company.

## Montgomery, Alabama

The new officers of the Montgomery Credit Managers Association, Montgomery, Alabama, are: President, Mrs. Dorothy Hines, Montgomery Fair; First Vice President, Jack Hudson, Grimes-Hudson Furniture; Second Vice President, Henry C. Terry, Suburban Gas Company; and Secretary-Treasurer, Bolling Holt, Jr., Credit Re-



porting Company. Directors: Frank Schultz, Wilbanks Motor Service; J. L. Sanford, Bishop-Parker Furniture Company; Mrs. Ann Jones, Haverty Furniture Company; J. W. Carpenter, Alabama Gas Company; and Chester E. Riggs, Dairy Producers, Inc.

#### **Johnson City, Tennessee**

The newly elected officers and directors of the Associated Credit Managers of Johnson City, Johnson City, Tennessee, are: President, Mack P. Boyer, The People's Bank; First Vice President, Helen Morley, Paty Lumber Company; Second Vice President, W. F. Fine, Sterchi Brothers Stores; Third Vice President, Morrell Lacy, Hannah's, Inc.; and Secretary-Treasurer, Frank Edmonds, The Credit Bureau. Directors: Walter Wiley, Citizens Loan Corporation; John Masengill, Masengill's; H. H. Gregg, Gregg Electric Company; R. N. Dosser, Dosser's, Inc.; F. B. Hannah, Hannah's, Inc.; L. O. Hale, Tennessee Motor Company; J. H. Varnell, King's, Inc.; W. F. Shurtz, Pet Dairy Products Company.

#### **New Orleans, Louisiana**

The new officers of the Retail Credit Association of New Orleans, New Orleans, Louisiana, are: President, Ola Fayard, Maison Blanche Company; First Vice President, Vernon E. Svendsen, Godchaux Clothing Company; Second Vice President, A. E. Maier, New Orleans Public Service; Secretary, Thomas C. Fischer, Progressive Bank & Trust Company; Treasurer, Stanley Schulkens, Labiche's, Inc.; and Advisory Counsellor, Roland Ruiz, D. H. Holmes, Ltd. Directors: John J. Beale, Sears, Roebuck and Company; Gillie J. Bourque, Rosenberg Furniture Company; Harris Copenhaver, New Orleans Retailers' Credit Bureau; Joseph Beach, Beach Brothers Furniture Store; Walter Sarrat, Maison Blanche Company; Merrill Fischer, Godchaux Clothing Company; Stanley E. Vandrell, The Kreeger Store; and Roy Grashof, Globe Finance Company.

#### **Abilene, Texas**

At the annual meeting of the Abilene Retail Credit Managers Association, Abilene, Texas, the following officers and directors were elected: President, R. E. Strain, Merchants Budget Loan Company; Vice President, Walter Richter, Main Finance Company; Secretary, H. S. Strain, Allied Credit Company; Assistant Secretary, Mrs. Robert Strain, Retail Merchants Association; and Treasurer, Mrs. Flossie McKeever, Waddington's. Directors: Henry Thorpe, Thorpe's Shoe Store; Daisy Crow, Hinkel's; R. M. Smith, Lone Star Gas Company; A. D. Horn, Modern Service Company; A. C. Barber, Sears, Roebuck and Company; Margaret Alton, Retail Merchants Association; Milton A. Bass, Thornton's Department Store; and Ruby Johnson, Lintz Department Store.

#### **Buffalo, New York**

The 1955-1956 officers and directors of the Retail Credit Association of Buffalo, Buffalo, New York, are: President, Charles Lanbour, Weed & Company; First Vice President, Alfred Vogel, Alliance Mercantile Agency; Second Vice President, Paul Kuhn, Twin City Auto Company; Treasurer, Edwin A. Hartung, Kobler & Miller; and Secretary, Albert J. Little, Retail Merchants Credit Bureau. Directors: Fred Knorr, Buffalo Industrial Bank; Gilbert Krackenberger, Hens & Kelly Inc.; Robert McKnight, Sattler's Inc.; William Parsons,

Flint & Kent; and Walter Simpson, Sears, Roebuck and Company.

#### **Pomona, California**

At the organizational meeting of the Retail Credit Association, Pomona, California, the following officers were elected: President, Herbert A. Wall, Arden Farms Company; Vice President, John Bauer, Seaboard Finance Company; and Secretary-Treasurer, Morris C. Pennell, Credit Bureau of Pomona.

#### **Holyoke, Massachusetts**

The new officers and directors of the Holyoke Retail Credit Association, Holyoke, Massachusetts, are: President, Edward Sanocki, A. T. Gallup, Inc.; First Vice President, Kenneth Major, P and Q Clothes; Second Vice President, Ray Brooks, Thomas S. Childs Inc.; and Secretary-Treasurer, J. Kenneth Lawler, Credit Bureau of Holyoke. Directors: Elmer Lussier, Peoples Savings Bank; Mrs. Evelyn Kahlmeyer, Dorothy Dodd Apparel Inc.; Eleanor Malone, Mechanics Savings Bank; Doris Stevens, A. Steiger Company; and Walter Lynch, Hadley Falls Trust Company.

#### **Atlanta, Georgia**

At the annual meeting of the Atlanta Retail Credit Association, Atlanta, Georgia, the following officers and directors were elected: President, J. H. Bolton, The Bank of Georgia; First Vice President, Wallace Wingfield, Atlanta Gas Light Company; Second Vice President, E. E. Jones, The Citizens & Southern National Bank; Secretary-Treasurer, Frank G. Mewborn, Credit Bureau of Atlanta; and Membership Secretary, Mrs. Stacy Darrington, Credit Bureau of Atlanta. Directors: Mrs. Charles E. DuPree, The Mirror; C. R. Fountain, Gulf Oil Corporation; Claude R. Gaines, Regenstein's; Richard H. Gaines, Davison-Paxon Company; James Graham, Rich's Inc.; and F. B. Sullivan, Jr., Mutual Finance and Acceptance Corporation.

#### **Lansing, Michigan**

The Retail Credit Granters, Lansing, Mich., elected the following officers at their last annual meeting: President, Leila Blanchard, The Lansing Ice & Fuel Co.; Vice President, Lottie Vermillion, Liberman Trunk Co.; Secretary, Bruce May, Consumers Power Co.; and Treasurer, Edith Byrnes, Mills Dry Goods Co.

#### **District Nine at Casper**

At the annual meeting of District Nine held in Casper, Wyoming, the following officers and directors were elected: President, Ray Stein, City of Colorado Springs, Colorado Springs, Colo.; Vice President, Melvin C. Schumpert, Schumperts Inc., Portales, N. M.; and Secretary-Treasurer, Donald H. Puffer, Credit Bureau of Greater Denver, Denver, Colo. Directors: George W. Fry, Newton Lumber & Manufacturing Co., Colorado Springs, Colo.; Freida Mooney, American Furniture Co., Pueblo, Colo.; C. E. Dinkle, Albuquerque National Bank, Albuquerque, N. M.; Wilford Fowers, Watson Tanner Clothing Co., Ogden, Utah; Clary Crooks, Newspaper Agency Corp., Salt Lake City, Utah; Mrs. Mary Johnson, Kassis Department Store, Casper, Wyo.; F. C. Williamson, Car Parts Depot, Carlsbad, N. M.; and F. M. Tucker, Denver Dry Goods Co., Denver, Colo. National Director is John A. Ward, Lovelace Clinic, Albuquerque, N. M., and Alternate National Director is Ray Stein.



## ★ Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

### Annual Report

**Administrative Regulations and Administrative Agencies—A General Observation Pertinent to the Case of the "Whereabouts" Information Investigation:** As will be noted under other specific subjects below, various matters during the past year have been taken up with government departments and agencies.

Some of the difficulties and time-consuming factors in dealing with these departments and agencies are often vague and little understood by those who are situated far from the center of government. In view of the recent report (May, 1955) of the President's Conference on Administrative Procedure, and the illustration of the problem afforded by the recent investigation of the newly promulgated regulations on "whereabouts" information, this annual report may be an appropriate place for some reference to general problems involved, as well as specific problems encountered. This particular report on the President's Conference deals with administrative procedures of "those departments and agencies of the Federal Government which have adjudicatory and rule-making functions"—and most departments and agencies of the sprawling structure of the Federal Government do have such functions. The report lists 56 such departments and agencies.

Judge G. Barrett Prettyman of the U. S. Court of Appeals for the District of Columbia Circuit, Chairman of the President's Conference, submitted a letter of transmittal in which he stated:

"The President . . . directed the Attorney General to prepare a list of such agencies and to invite each to send a delegate. Fifty-six departments, bureaus and commissions were on the list. Besides the great independent agencies, the cabinet departments, and the great offices such as the Civil Service Commission, the Patent Office, and the Bureau of Internal Revenue, there were many other bureaus and sections dealing with the vitally important subjects, such as immigration, food and drugs, veterans' affairs, social security, war claims, etc. . . .

When the Conference assembled, it was an interesting group, an encyclopedia in human form of procedural federal law. If you wanted to know how such-and-such is done, or ought to be done, in an adjudicatory administrative proceeding, all you had to do was to listen patiently enough, and, without leaving your chair, you could hear authoritatively by admissible first-hand evidence how it is done everywhere in the whole vast reaches of the Federal Government. It was quite a sight.

*There can be little doubt that the administrative agencies in Washington, generally speaking, had fallen into grievous habits in respect to their adjudicatory duties. The fault lay in many directions.*" (Italics supplied.)

It would be difficult to find a better illustration of the time-consuming and often baffling problems encountered in taking up any matter with almost any of these government departments and agencies than the recent case of

investigating legislation and new regulations issued government-wide in connection with establishing a system or schedule throughout the government for making charges for copying documents and furnishing literally hundreds of similar services to the public.

Under a provision of the Independent Appropriations Act of 1952 (5 U.S.C.A. 140) the Congress said:

"It is the sense of the Congress that any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration or similar thing of value or utility performed, furnished, provided, granted, prepared or issued by any Federal agency . . . shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized by regulation (which, in the case of agencies in the executive branch, shall be as uniform as practicable and subject to such policies as the President may prescribe) to prescribe therefor such fee, charge, or price, if any, as he shall determine . . ."

The Bureau of the Budget issued Circular No. A-28 on January 23, 1954, directing that all departments and agencies, according to certain standards laid down, institute charges in accordance with said circular and the legislative intent referred to above.

Pursuant to this directive the Department of Defense issued Directive No. 7230.3 on November 3, 1954. This directive embraced seven pages of single-spaced typewritten material, specifying, among other things, a charge of \$1.00 for "whereabouts" information on a single name and 50 cents for each additional name. In the course of the investigation made by Washington counsel, it was ascertained that other government agencies and departments, on varying dates, had issued similar directives, although for the most part such other directives (thus far seen) have been considerably smaller in length and in amount of detail involved.

To indicate the complexity involved in merely such a relatively simple investigation as that concerning these new directives on "whereabouts" information, it was learned that the Treasury Department, for example, does not have one directive, but on the contrary it has in fact issued four separate directives (that is, by its separate divisions or agencies), namely, Bureau of Accounts, Coast Guard, Customs, and Internal Revenue.

As of this date, this particular matter of charges for "whereabouts" information has been extensively investigated, as indicated herein. Since the Department of Defense represents by far the largest body of military personnel and civilian employees, it was decided to use it as a test case for presenting a request for relief from charges for "whereabouts" information by recognized sources of credit information. Such request has been

made and has been turned down, both (a) on the basis of an "exception," and (b) on the basis of the fact that it is to the interest of military and other personnel, who travel about on the basis of official orders, and whose whereabouts must necessarily be a matter of inquiry from time to time by credit granters as well as others, that such information be made readily available.

In view of such adverse ruling, a new approach to the subject is now being prepared on the basis of the fact that the Department of Defense directive specifically provides for review "at least once every two years to determine whether a fee should be collected . . . or whether any of the fees prescribed in the schedule should be changed or discontinued."

#### **The So-Called "Debt Adjustors" Problem:**

This particular problem was raised at the annual Legislative Committee meeting and it was discussed in considerable detail. Subsequently, further investigations were made and correspondence initiated in order to obtain as full information as possible on the subject on a nation-wide basis; also to investigate and obtain the results of certain criminal investigations and indictments that had been instituted or brought against so-called "debt-adjustor" concerns on the basis of alleged fraudulent practices. All pertinent information will be made available to national headquarters and/or will be utilized as subject material for the column "Items of Interest" in *The CREDIT WORLD* from time to time.

**Garnishment:** A new garnishment bill was introduced at the start of the 84th Congress by Mr. Curtis of Missouri, H.R. 87. It is similar to garnishment legislation previously introduced by Mr. Curtis which was the subject of hearings in the 83rd Congress. This subject was discussed at the Legislative Committee meeting. It was the sense of the meeting that one of the best arguments to support the general garnishment bill might be the government's own experience under legislation adopted in 1954 to enforce payment of delinquent income taxes owed by government employees from their salaries and wages—a procedure similar in intent and purpose to garnishment. In short, if the government experience was that delinquent income taxes were paid up as a result of this new legislation merely being on the statute books, it would be the strongest possible argument for the passage of a national garnishment law, since it has always been the contention that garnishment would not have to be used except in the exceptional case, and that the moral persuasion of the law itself would cause delinquent government employees to pay up seriously overdue accounts. This would eliminate the principal government contention in opposition that national garnishment legislation would be unduly burdensome and expensive. The government's experience on the collection of delinquent income taxes will be investigated as soon as a representative volume of information is available.

**To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.**

**Bankruptcy Matters:** Both at the Legislative Committee meeting and in discussions with the Chief of Bankruptcy, Office of the Administrator of the United States Courts, several problems have been studied. Suggested resolutions have been prepared for submission to the Annual Conference. The first problem involves a proposed increase in the salaries of referees in bankruptcy, much in line with similar action taken by the National Association of Credit Men. Second, it has been proposed that Chapter 13 of the Bankruptcy Act should be amended to permit resort to "wage-earner" plans by any person paid by wages, salary, or other compensation without limitation as to the amount thereof. Third, a proposed resolution has been prepared recommending that where a wage-earner case has been dismissed for failure to comply (caused primarily by extension of additional credit after a petition under the wage-earner provisions has been filed), dismissal of any such case for failure to comply shall make such wage earner ineligible to file a new petition for one year following such dismissal.

**Consent Decree:** Several conferences were held with Justice Department attorneys relative to certain educational material sold to members by N.R.C.A., such as the blotter containing "Credit Bureau Musts." It is believed that progress has been made in clarifying points of difference as to the propriety of certain phrases and terminology as between N.R.C.A. and the Justice Department.

**Postal Matters:** Several matters involving the Post Office Department have been taken up with appropriate personnel of the Department and/or have been the subject of discussion by the Legislative Committee. A suggested resolution was prepared expressing opposition to any increases in first-, second-, and third-class postal rates, because it would both add unduly to the cost of mailing and distribution of such an educational publication as *The CREDIT WORLD*, and also operate as an undue burden to small business.

The wording on the money-order form has been the subject of further discussion and study. At this particular time, and over a period of the last six months, there has been a wave of raised and changed money orders on a nation-wide basis. As a result, the Post Office Department is presently studying and experimenting with the use of machine-issued money orders in first- and second-class post offices in the larger metropolitan areas. The results of the machine operation from the standpoint of preventing raised or forged orders and also from the standpoint of the changed language which will still further increase the ready identification and address of the payee will be reported to national headquarters or covered in Items of Interest from time to time.

**Fraudulent and Forged Government Checks; The Interstate Passage of Any Such Checks:** This subject has been discussed at length with personnel in the Secret Service and FBI. The first agency covers the field of government forged or raised checks, while the latter covers checks transported in interstate commerce. Much valuable information is available.

However, considerable correspondence and investigation indicate that no comparable figures or data are available on the state or municipal level. In this regard, it



has been the purpose of Washington counsel to develop all possible information on this subject (including the similar problem of the raised or altered money order), with the thought in mind that various phases would be of educational value to N.R.C.A. member stores in that it would help to check the growing problem of cashing the fraudulent check by department and other stores, which are said to be the segment of the American economy most seriously affected by this problem.

**Skip Tracing:** This subject has been worked on at length with appropriate personnel at the Federal Trade Commission and in several instances new cases which have been brought to their attention. As a result of our activities one order has been entered, and in another instance a concern is under investigation for violating a previous cease-and-desist order.

**Controls:** While nothing specific has developed, the important subject of stand-by controls has been discussed with trade association executives and others in the consumer field. Newspapers and other sources have indicated from time to time that the President would ask for some form of stand-by controls and the subject will be constantly checked and anything of interest reported on as quickly as possible when definitive developments occur.

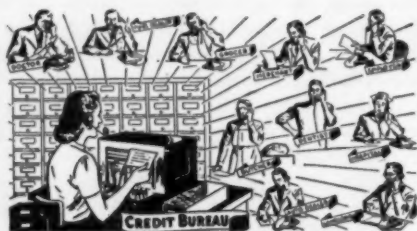
**Legislation:** In general, the legislative mill has been watched for anything that might be of particular interest to members of N.R.C.A. Such matters as bankruptcy, garnishment, and postal rates have been touched upon herein. In addition, such matters as minimum wage legislation, proposed legislation to terminate the

postal saving system, anti-trust legislation, control of inflation, etc., have been studied as bills were introduced.

**Investigations and Opinions:** Various subjects of a miscellaneous character have been presented, requiring some sort of investigation and opinion. Attention has also been given to such matters as that of a commemorative stamp for retail credit and Retail Credit Education Week.

**Hoover Commission:** A number of reports have been issued by the Commission. One of particular interest to N.R.C.A. is the two-volume report on lending agencies. Study of this has not been completed but something on it will be included in Items of Interest at an early date.

**The Column, "Items of Interest":** As indicated above in reference to specific fields of information and activity, the monthly page, "Items of Interest," has been used as a means of reporting on some of the matters covered by contacts with and/or information obtained from executive departments and agencies, and from the Congress. Particular interest has centered from time to time on debates and speeches by Senator Byrd of Virginia, authority on fiscal affairs of the government. Other subjects which have been given special attention, as indicated above, have been the problem of fraudulent checks and postal money order frauds, the so-called "debt adjustment" problem, anti-trust matters, skip-tracing, statistical information from the Office of the Chief of Bankruptcy, the lending program of the Small Business Administration, and releases from the Federal Reserve Board. ★★★



### We have YOUR NAME in this "Who's Who"

As a member of the Credit Bureau we are called upon to report, at frequent intervals, the credit standing of our customers. This report is available to every merchant or professional man who is a member of the Credit Bureau.

Your account with us at the present time is **PAST DUE**. To maintain a good credit record, you should make a payment **NOW** or arrange for an early settlement.

Name \_\_\_\_\_

Owed to \_\_\_\_\_

Balance \$ \_\_\_\_\_ Past Due \$ \_\_\_\_\_

Date \_\_\_\_\_

*Guard Your Credit as a Sacred Trust*

## Reluctant Dollars

Merchants and professional men can bring in reluctant dollars by using the tested Collection Insert shown here. Prepared at the urgent request of our members, it has a definite tie-in with the credit bureau. Not only does it turn past-due receivables into cash, but it is an effective means of educating the general public to pay bills promptly.

This is another success number in our series of Collection Helps. The size is three inches by five and one-half inches and it is printed in dark green ink on canary bond stock. Only \$3.00 per thousand.

## NATIONAL RETAIL CREDIT ASSOCIATION

375 Jackson Ave.

St. Louis 5, Mo.

## ● "Chapter 13" ●

(Beginning on Page 4.)

Chapter XIII results in a reduction of wage earner bankruptcies. For 1938, the first year in which Chapter XIII was in existence, cases filed under the Chapter constituted 33.8 per cent of all cases filed—66.2 per cent, or 2,200 cases were filed in the bankruptcy division. Each year from 1938 to 1949, with one exception, saw an annual reduction in bankruptcies and an increase in the use of wage earner petitions.

In 1939 only 52.7 per cent of the cases filed were bankruptcies.

In 1940 another reduction to 42.6 per cent

In 1941, 38 per cent of the total

In 1942, 37 per cent of the total

In 1943 (a year of low total filings) the percentage of bankruptcies increased to 42.8 per cent of the total; however, in 1944 we again find a decrease to 34.8 per cent and in 1945 a further decrease to 33 per cent of the total cases filed. The reduction in 1946 was to 28 per cent; in 1947, 20.7 per cent; in 1948, 12.2 per cent; and in 1949, 10.3 per cent of the total cases filed were bankruptcies, the balance being debtor cases. Since 1949 the bankruptcy cases have leveled off to between 9 per cent

and 11 per cent of the total of all cases filed, the balance of cases filed being debtor cases. This represents a reduction in the bankruptcies and other cases from 2,220 in 1938 to a level varying slightly above or below 600 cases a year—this during a period when bankruptcy cases generally are showing a great increase. Considering that this figure of 600 bankruptcies a year includes both individual bankruptcies and asset cases, it is apparent that the wage earner bankruptcies have been brought to an irreducible minimum, obviously about one-sixth or one-seventh of the number that would be filed if Chapter XIII filings had not arisen to replace them.

Quite often misinformed individuals refer to Birmingham as the Bankruptcy Capital of America. No more incorrect statement was ever made. We feel that the record made in Birmingham in the use of Chapter XIII is one to be proud of. For a large industrial district, made up of seven counties, one of which is recognized as one of the poorest in the state and designated as a disaster area, the percentage of bankruptcies by wage earners is far below the average for such a similar district. ★★★

## ● "Romance" ●

(Beginning on Page 11.)

field, today almost every commercial bank in the country handles at least automobile, if not other consumer installment loans. The ancient prejudices against installment lending as such have gradually been done away with, and the people, the small man in particular, have been invited to enter the marble palaces of the money lenders.

Fortunately for the economy of the country, the public and the lenders have cooperated wisely in designing and carrying out sensible standards of borrowing and lending. By mutual consent (for the average borrower is prudent in his budgeting), overloaning and treacherous stretching out of terms have been reduced to a minimum. And the federal authorities have found it necessary to impose restrictive legislation to a very small degree.

As this is written, the outstanding automobile credit as extended by the banking system and the finance companies of this country stands at close to 10 billion dollars. New automobile loans are made at a rate of approximately one billion dollars a month. And this is about the same amount that is being repaid each month by these borrowers (FEDERAL RESERVE BULLETIN, December, 1954, pp. 1195/6).

One billion dollars per month in new automobile installment credit probably represents the financing of something like 500,000 automobiles. Therefore, a large part of this operation is responsible for the creation and the maintenance of millions of jobs in this nation. Be it the assembly line man in the River Rouge Plant, be it the welder in the steel mill at Gary, Indiana, be it the glass inspector in Pittsburgh, be it the insurance adjuster in Los Angeles, Calif., be it the bank clerk in Atlanta, Ga., or be it the road builder in Albuquerque, N. M.—

we all seem to benefit from this great American saga which is to produce in order to have more, in order to live better, in order to be able to produce still more.

It is difficult to imagine what this country of ours would look like today without the automobile and its mass distribution, just as it is difficult to conceive where the automobile would be today without the part-payment plan. ★★★

## Have You Changed Your Address?

If so, you can ensure delivery of The CREDIT WORLD to the correct address by filling in this form and mailing it to National Retail Credit Association, 375 Jackson Avenue, St. Louis 5, Missouri.

Name \_\_\_\_\_

Old Address \_\_\_\_\_

New Address \_\_\_\_\_

# Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

## Say "Yes" Whenever Possible, But . . .

CARL B. FLEMINGTON, F.C.I., F.C.I.S., *Secretary-Manager, Credit Bureau of Greater Toronto*

THE CUSTOMER forms a vital part of any retailing firm, and the degree of good will which exists is measured to a large extent by the treatment he receives in his various associations with the firm. For instance, in the drafting of a letter acknowledging the opening of a charge account, much can be said which will influence the customer in a kindly way toward your store. There is an opportunity presented here to convey the "spirit" of the store. The letter may not be only an advice to the effect that you are prepared to grant credit privileges but it should welcome the customer in a wholehearted manner, although void of any sense of flattery. It should embody references as to terms or store policy in the operation of such accounts and should also serve to acquaint the person with additional facilities which the store is able to provide. In summary, a first impression is often a lasting one.

The same principle is true in providing a letter where it has been necessary to decline a credit application. Here also is an opportunity to turn a misfortune into what may later react to the advantage of the store. It may prove that such an act not only means the declining of charge privileges to one individual but, unless care is exercised and diplomacy used, the result may have far-reaching effects. Indifferent policy which would occasion resentment on the part of the recipient may also be shared by his friends and acquaintances and thus contribute additional loss of customers.

Perhaps declining an account is what may be termed the difficult part of a credit manager's duty. It is not pleasant to inform a prospective customer that his patronage is not desired; but, on the other hand, the credit manager must be prepared to refuse credit wisely, when to accept such an account would knowingly prejudice the store's position from the standpoint of realization.

The oral declining of an account should never be given in short manner. If the reason cannot be given judiciously, tactful methods must be used to overcome any undue resentment on the part of the applicant. If this is done, there is good reason to believe that a good customer may be held or added from a cash standpoint. Later, when matters are adjusted, charge-account privileges may again be discussed.

Personal interview is by far the most satisfactory method of declining an account and the credit manager should not shrink from this phase of his duty when necessity demands. This would tend to increase the mutual respect between store and customer and provide scope for valuable educational suggestions as to the importance of credit privileges and in outlining the part both store and customer must play in order that the relationship be of the highest order.

The extensive use of the telephone today and the way in which it contributes to the time-saving element make

it a factor in store-customer relations. When an order has been placed and where immediate delivery is expected on a charge basis, it is perhaps both wise and permissible to advise the customer of any delay in proceedings by this method. Care should be taken that no offense is offered or no statement made which may later prove injurious to the firm. In all cases an explanation should be made and an invitation extended to the customer to call at the credit department of the firm at his convenience. This would provide an opportunity to discuss with the customer any information received which would prevent credit's being extended.

The same is true of written notification. This may be in the manner of a personal letter, a mimeographed copy, or card enclosure. Taking into consideration the axiom, "To err is human," the message contained should in no way bar the door to further negotiation. The information received may be incorrect or incomplete. It may not be disclosed that reasons beyond the control of the applicant have contributed to the nature of the report which provided the unsatisfactory data. It may even prove that malice has entered into the observations, which may make for unpleasantness. In view of the foregoing, it would be far better to avoid being definite when written notification is used. The message may simply serve as an instrument of delay in delivery and an invitation to the customer to call be included. Where this notice is given orally, by telephone or by letter, it should not be left to a junior clerk but is of such importance that the matter should be handled by or through the immediate dictation of the credit manager.

This may be dealt with by asking the question, "What is the most important element which enters into the declining of an account?" I would suggest: *goodwill*. This is an abstract which enters into the life of any business and more especially those catering to credit dealings. It should then be of the utmost importance that wherever possible customer embarrassment or ill-will be avoided. A large percentage of customers who first approach the store for credit favours only to be refused or deferred may be won as cash customers if dealt with in an understanding manner.

Numerous factors enter into the reasons for refusal of credit privileges. It may be dissatisfaction with the way previous commitments have been handled. If so, what is the reason? Which of the C's is the largest contributor? Delinquency may be caused by indifference or unwillingness. These are perhaps the most unfortunate of causes. It may be through overloading or exceeding one's capacity to pay, which is not quite as serious as the former and is not uncommon in this age when everyone strives to outdo his neighbour in standard of living. It may be his capital structure has been overestimated or too optimistic an appraisal has been made.



Lastly, it may be due to conditions. These may be circumstantial or self-imposed. If the former, due consideration should be given in order that the true picture is obtained and if warranted the customer be given the benefit of the doubt. If the latter, it should serve as due warning that the customer is of the speculative type, or is influenced easily by outside factors. The duty of the credit manager is to encourage volume of sales commensurate with good receivables.

The fact that a person presently is not a preferred risk for credit accommodation does not mean that at some future date the store may not appreciate or solicit his patronage. Care should be taken, wherever immediate refusal is necessary, to provide understandable reasons as to the decision. Educational suggestions may be made as to the store's credit policy or requirements.

It may be tactfully pointed out to the customer that deferment is to his own best interests. The value of continuing for the present as a cash customer may be presented in timely offerings or quality of merchandise. The way of least resistance in declining an account or the offering of some subtle excuse will undoubtedly prove of extensive loss to any firm and if the situation cannot be handled on the plane it merits in the credit department, access should be made to other mediums of disposition.

Perhaps the most logical place for a customer in this category to be referred is the Credit Bureau. When information is provided through the bureau, no mention is made as to the identity of any firm reporting. This is for obvious reasons. Here is accumulated a wealth of information as contributed by all classifications of business (retail establishments, finance companies, professional men, etc.), and in view of this, no better setting could be had in which to interview an individual in connection with matters relating to credit.

Members of our credit bureau not only have the privilege of referring such persons to us, thus avoiding the possible embarrassment of self-explanation, but we welcome this opportunity of interview. The customer should be notified that all applications must be approved by the credit bureau and that the information as contained in their files is not sufficient to warrant the extension, etc. It will not be stated that information received is derogatory, nor need any detail be given. The

visit of the customer to the bureau is certain evidence of good faith and we always greet him cordially, regardless of his personal state of mind. The words as contained in the letter, "is not sufficient," afford ample leeway to handle almost any case. When the customer appreciates the fact that the history of his credit transactions over a period of years is readily available, it is reasonable to expect a satisfactory size-up of the situation rather than had the store endeavored to conduct the interview. Scarcely a day passes without someone's being referred to us, and in each case the interview is conducted in private and the findings recorded in our files and passed on to the store concerned. In many cases, it is possible to advance recommendations, resulting in the customer's being extended credit, based on the outcome of the interview. This gives the customer the feeling that someone is interested in his rehabilitation and in the majority of cases he will do all in his power to justify faith in his promises.

It is seldom the policy of the bureau to influence any firm in respect to granting or declining. The decision is left to the dictates of the store policy but often a different light on the situation is afforded by an interview at the bureau. In all cases the importance of building and maintaining a good paying record is emphasized. It is pointed out that his record which is available to credit granters is established not by the bureau but personally. This dispenses with any arguments of consequence and it has always been our experience that a definite appreciation is expressed by the customer for the interview and the satisfaction obtained therefrom.

The bureau is, we feel, the best possible medium of credit education between merchant and consumer. Its files contain information, good, bad, and indifferent, which is moulded into one presentation of circumstances. The information is all based on fact, and extreme caution is taken to ensure that one is not held accountable for another's shortcomings. This again is, at least, partially contingent on correct identity's being established when the application is received.

A credit bureau can function without the membership of any particular firm. Any store can operate without use of the credit bureau, but by pulling together the result is mutually advantageous and also performs a service of inestimable value to the community. \*\*\*

## Text and Reference Books Published by the N. R. C. A.

|  |        |
|--|--------|
| Retail Credit Fundamentals, 390 pages . . . . .                                  | \$5.00 |
| Retail Credit Management, 477 pages . . . . .                                    | 5.00   |
| Streamlined Letters, 479 pages . . . . .   | 6.50   |
| Important Steps in Retail Credit Operation, 76 pages . . . . .                   | 1.50   |
| How to Write Good Credit Letters, 128 pages . . . . .                            | 2.25   |
| Physicians and Dentists Credit and Collection Manual, 64 pages . . . . .         | 2.00   |
| Retail Collection Procedure and Effective Collection Letters, 80 pages . . . . . | 2.00   |

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**NATIONAL RETAIL CREDIT ASSOCIATION**  
**375 JACKSON AVENUE** **ST. LOUIS 5, MISSOURI**

# Editorial COMMENT



## Thank You—Carson Bard

THE 41ST ANNUAL International Consumer Credit Conference is now history. It was a splendid meeting; the program was excellent and the many details handled courteously and with dispatch. We were favored with delightful weather the week of the Conference.

Attendance exceeded 1,100; and the expressions of delegates indicated that they were well pleased with the general sessions programs and the group meetings.

Carson Bard and his committee did an outstanding job in arranging hotel accommodations, entertainment for guests, evening entertainment for all registrants and the banquet on Thursday evening. The latter was attended by nearly 1,000; unfortunately many guests had arranged their departure for Thursday afternoon and early evening, thinking the banquet was scheduled for Wednesday.

The speakers, according to all comments, "rang the bell," and were enthusiastically received. The keynote address, delivered by Dr. Kenneth McFarland, Educational Consultant and Lecturer of General Motors Corporation, was as fine as any heard at previous conferences. His audience of more than 1,000 gave him a standing ovation as he left the convention hall.

Following Dr. McFarland, B. J. Lenihan, President, Time Finance Company, Louisville, presented in an excellent manner a paper on "Debt Adjusters—Are They a Blessing or a Burden?" It is in this issue of *The CREDIT WORLD* and should be read by every member.

On Wednesday morning Paul M. Millians, Vice President, Commercial Credit Company, Baltimore, gave a splendid talk on the outlook for business, including the credit picture, in the months ahead.

A most constructive address, "Don't File It—Throw It Away," was delivered Thursday morning by Emmett J. Leahy, President, Leahy and Company, Management Consultants, New York. The practical suggestions of Mr. Leahy, if followed, should result in substantial savings, for our members, in labor, space and equipment. His address will appear in the August issue of *The CREDIT WORLD*.

All in all, it was an outstanding conference. Local publicity, newspapers and television, was good and entertainment excellent.

Our thanks and appreciation go to Carson Bard, General Manager of the Credit Bureau of Louisville, and his committee for a "job well done."

The song "Meet Me in St. Louis" is appropriate for 1956—June 18, 19, 20 and 21. *Hope to see you then.*

General Manager-Treasurer  
NATIONAL RETAIL CREDIT ASSOCIATION



# ***STREAMLINED LETTERS***

**(Revised)**

**By WALDO J. MARRA**  
**Correspondence Consultant**  
**Los Angeles, California**

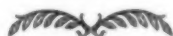
*This recently revised and enlarged edition* of STREAMLINED LETTERS should be in the possession of every person whose duties include business correspondence. It is more than just another book on letter writing—it is a most comprehensive and authoritative reference and instruction book on every conceivable phase of the important function of producing powerful and persuasive business communications. Correspondents will find it to be a unique and valuable source of information and guidance on problems of grammar, technique, style and vocabulary.

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- Do you "circumnavigate" the subject of your letter?
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The actual size of the form (reproduced below) is six inches by nine inches. Printed in one color. Blocked in pads of 100. Prices: 100, \$1.25; 500, \$5.00; and 1,000, \$8.50. *Postage is extra.*

## NATIONAL RETAIL CREDIT ASSOCIATION

375 Jackson Ave.

St. Louis 5, Missouri

Complete in

every detail . . . spaces for all needed information . . .

APPLICATION FOR CREDIT  
FOR EXCLUSIVE USE OF MEMBERS OF

NATIONAL RETAIL CREDIT ASSOCIATION

LAST NAME FIRST NAME INITIAL AGE HUSBAND'S FIRST NAME INITIAL MARRIED NAME

RESIDENCE ADDRESS HOW LONG TELEPHONE

OCCUPATION BUSINESS ADDRESS TELEPHONE

NAME OF EMPLOYER

FORMER BUSINESS OR OCCUPATION AMOUNT OF MORTGAGE

LOCATION OF REAL ESTATE OWNED NUMBER OF CHILDREN

RENT HOME ☐ RENT APARTMENT ☐ BOARD ☐ AT HOME EMPLOYED

NAME OF NEAREST RELATIVE AND RELATIONSHIP (OTHER THAN HUSBAND OR WIFE) ADDRESS

PERSONAL REFERENCE CHECKING ☐ BRANCH

NAME OF BANK SAVING ☐ APPROX. INCOME

LIFE INSURANCE NAME OF INSURANCE CO. \$

TRADE REFERENCES ACCOUNT'S NOW OPEN PAID IN FULL

TYPE OF BUSINESS KIND OF MORTG. MORTG. \$

DATE LIMIT APPROVED

SIGNATURE

PRINTED IN U.S.A. FORM NO. 1

ON REVERSE SIDE OF THIS APPLICATION ANY UNPAID BALANCES ON INSTALLMENT ACCOUNTS AND MONTHLY PAYMENTS THEREON. THE ABOVE INFORMATION IS FOR THE PURPOSE OF OBTAINING CREDIT AND IS WARRANTED TO BE TRUE. I AGREE TO PAY ALL BILLS UPON RECEIPT OF STATEMENT OR AS OTHERWISE EXPRESSLY AGREED.

... designed with the approval of our members



MR. EUGENE B. POWER  
UNIVERSITY MICROFILMS  
313 NO. FIRST ST.  
ANN ARBOR, MICH.